THE Freeman

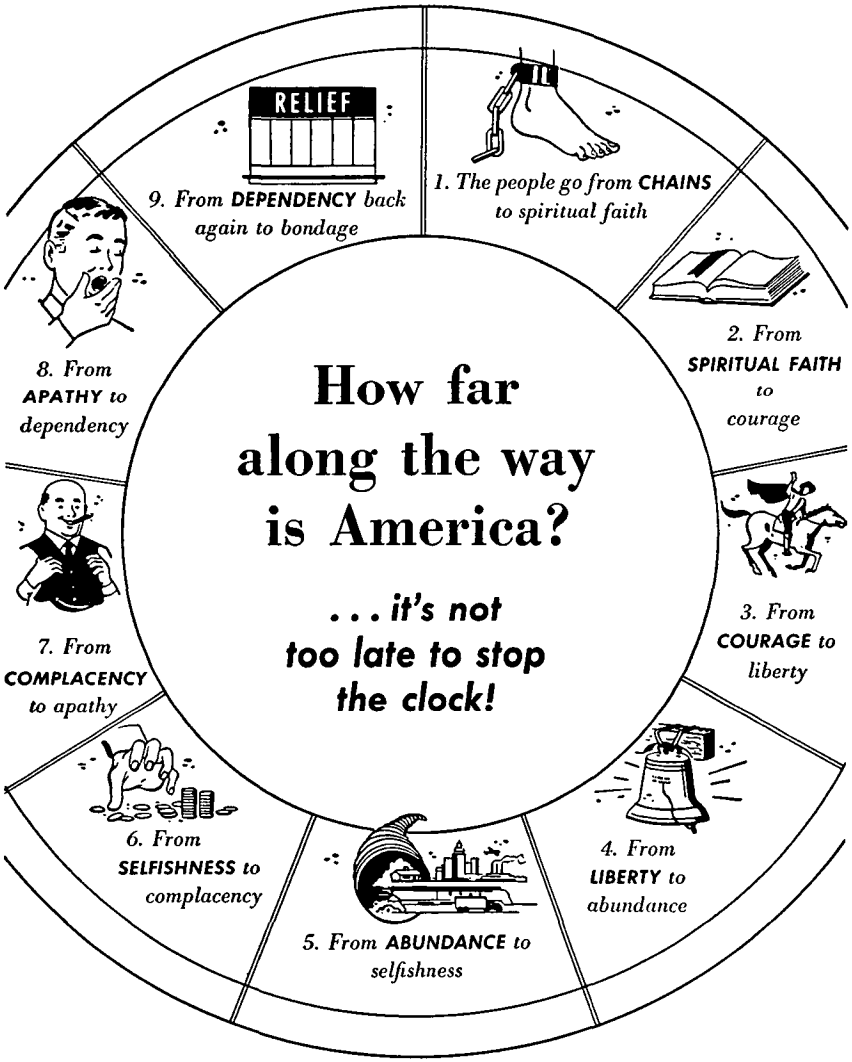
IDEAS ON LIBERTY

FEBRUARY 1957

Welfare States at War	Hans F. Sennholz	2
When Lincoln Was a Boy	Samuel B. Pettengill	9
Our Mechanistic Age	Charles A. Lindbergh	11
Philosophy through the Bars	F. A. Harper	14
Two Kinds of Inflation	Henry Hazlitt	20
The Cost of Depreciating Money	First National City Bank	22
Free Enterprise	C. D. Kemp	25
Scholarship and Intelligence	Ralph Bradford	26
The Use of Books	Edmund A. Opitz	30
A Clergyman's Security	Francis E. Mahaffy	35
If We Create a Monster	E. W. Dykes	39
Aid for Uncle Willie	Hugh P. King	40
Official Abuse of the Taxing Power	H. E. Spitsbergen	42
The Plague We Spread	Indianapolis Star	46
Why Wages Rise: 12. Riding the Waves of Business	F. A. Harper	48
A Reviewer's Notebook	John Chamberlain	58
Other Books		61

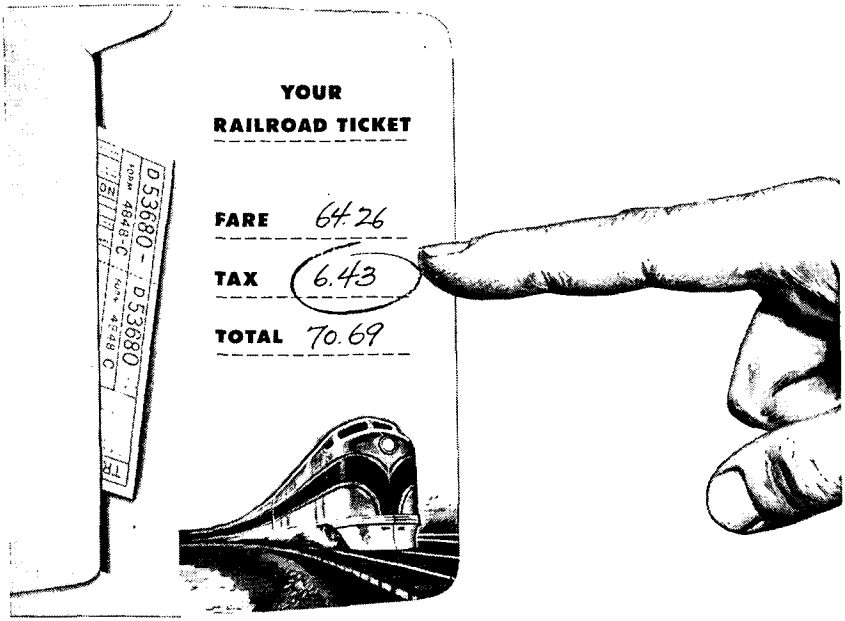
THE FOUNDATION
FOR ECONOMIC EDUCATION, INC.
Irvington-on-Hudson, New York

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED


RELIEF
1. The people go from CHAINS to spiritual faith
2. From SPIRITUAL FAITH to courage
3. From COURAGE to liberty
4. From LIBERTY to abundance
5. From ABUNDANCE to selfishness
6. From SELFISHNESS to complacency
7. From COMPLACENCY to apathy
8. From APATHY to dependency
9. From DEPENDENCY back again to bondage
How far along the way is America?
. . . it's not too late to stop the clock!

The Timken Roller Bearing Company
Canton 6, Ohio

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



You still pay these "temporary" wartime taxes

During World War II, Congress levied special taxes on the passenger fares and the freight charges paid to railroads and other forms of public for-hire transportation. One reason for these special taxes was to discourage the use of these transportation facilities in wartime.

The war ended more than ten years ago but these taxes go on — and on. They still add an extra 10 per cent to the passenger fares you pay, and they add 3 per cent to the freight charges on everything that moves by public carriers such as railroads.

The reason for these "temporary" wartime taxes vanished long ago. But they are still discouraging the use of our public transportation systems. And by so doing, these taxes are weakening our public carriers — essential to peacetime commerce and vital to national defense.

These discriminatory, burdensome taxes should be repealed — *now!*

ASSOCIATION OF
AMERICAN RAILROADS
WASHINGTON, D. C.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

WELFARE STATES AT WAR

HANS F. SENNHOLZ

THE NEW international crises sparked in the Middle East, and the constant danger of another world war, need not suprise the student of contemporary international relations and economic policies. The ideology of socialism and interventionism has swayed our foreign relations, and the policies of Welfare States have destroyed international peace and order.

While throwing the blame for the present crises on the doorsteps of "capitalist colonialism," the Welfare States are battling each other. All parties involved in the Mideast are either socialist or interventionist nations. Israel is a large army camp crowded by people who are given to socialist ideas; Egypt is an interventionist country with a dictator bent upon leading his nation to socialism; France has a socialist government with controls that leave little room for competitive enterprise; and Britain is floundering between socialism and interventionism. In other words, there is little capitalism, in the sense of competitive private enterprise, in any one of these countries.

Absence of individual freedom and free enterprise makes for economic nationalism and international conflict. By fundamental nature and objective, the Welfare State controls private property and limits individual freedom in order to distribute economic spoils and privileges to pressure groups. The Welfare State is a favor state.

Pressure groups of producers expect the government to increase the prices of their products or services, with utter disregard for the economic interests of the vast majority of their own countrymen and of many foreign producers. In

Dr. Sennholz, author of How Can Europe Survive?, *is Professor of Economics at Grove City College, Pennsylvania.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

most cases of welfare legislation the favored group's foreign competition is either eliminated entirely or severely curtailed. This is economic nationalism, the most important source of international conflict.

Economic Nationalism Creates Conflict

Let us demonstrate how interventionist policies lead to economic nationalism with a few American examples. In order to enhance the price of sugar cane and beets produced by a few thousand American farmers, the federal government not only levies a highly protective sugar tariff, but also imposes severe import quotas. To afford our domestic producers a temporary gain, we partially close our markets to Central American sugar. In other words, we cause domestic prices of sugar to rise and depress foreign prices, subsidizing our sugar farmers at the expense of American consumers and Cuban farmers. This is economic nationalism.

Meanwhile, Soviet Russia takes political and economic advantage of our shortsighted "welfare policies." She buys Cuban sugar at depressed prices, thus appearing as benefactor to our southern neighbors.

In deference to our cattlemen, we prohibit the importation of cheap Argentine beef. That is to say, we favor domestic producers to the detriment of domestic consumers and South American producers. These and similar acts have earned us the hostility of our Central and South American neighbors. Russia, of course, ably utilizes our trade restrictions for her own purchase policies. Her efficient propaganda then interprets our behavior as capitalist imperialism, and her own as a token of communist friendship.

Similar acts of economic nationalism on the part of our federal government include the recent tariff increases on Swiss watches, the import restrictions on foreign dairy products, and many others. In each instance we severely hurt foreign producers in order to "assist" our pressure groups.

West Sets Bad Example

Of course, the other Western powers are guilty of similar policies of economic nationalism. The United States, Britain, and France embarked upon the welfare road to international conflict after Imperial Germany had shown the way. In the 1880's the German government imposed heavy social costs on the German economy. The logical outcome would have been a loss of sales to foreign competition, with German unemployment. To avoid these undesired effects, the government created cartels. Behind high walls of protective tariffs these or-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ganizations then charged monopoly prices on the domestic market and dumped excess supplies on foreign markets at low prices. This was economic nationalism at its source.

Germany has become the classical example of government omnipotence in economic matters. There is scarcely any restriction on trade that was not practiced and fully developed in Germany. The people in underdeveloped areas, unaware of the meaning of individual liberty and capitalism, have admired this seemingly omnipotent power of the German state and often have endeavored to imitate it.

Britain's economic nationalism dates back to World War I and especially to the Import Duties Act and Ottawa Agreements of 1932. The preferential principle that became the guiding principle of British political action gave "home producers first protection, Commonwealth producers second protection, and foreign producers none at all." Britain imposed substantial duties on most foreign foodstuffs and raw materials in order to grant trade preferences to Commonwealth producers. Consequently, foreign sales in Great Britain declined considerably.

The Churchill government during World War II imposed a multiplicity of restrictions from the armory of socialism. The Labor government then went on to nationalize the "means of exchange," the coal mines, the gas and electricity industries, the iron and steel industries. It vested in a Central Land Board all development rights in

THE Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

FEBRUARY 1957 • Vol. 7, No. 2

Additional copies, postpaid to one address: Single copy, 50c; 3 for $1.00; 25 or more, 20c each. Permission is hereby granted to anyone to reprint any article in whole or in part (providing customary credit is given), except *"Our Mechanistic Age," "Two Kinds of Inflation," "The Cost of Depreciating Money," "Free Enterprise,"* and *"The Plague We Spread."*
Any article will be supplied in reprint form if there are enough inquiries to justify the cost of printing.

The Freeman is published monthly by the Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y. Anyone may receive the journal regularly upon written request; an annual subscription-donation of $5.00 or more is a suggestion—not a requirement.

Accepted as controlled circulation publication at Irvington, N. Y. with additional entry at New York, N. Y. Copyright 1957, The Foundation for Economic Education, Inc. Printed in U. S. A.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

land. It did its utmost to eliminate rent, profit, and interest in order to employ the revenue for projects of "national development." In all these acts of seizure of private property, the Labor government showed no hesitancy because of foreign investments. It seized them along with those of its own nationals. All this meant economic harm to foreigners, who watched and learned the lesson in government omnipotence.

Underdeveloped Areas Follow Suit

Can it be surprising, therefore, that governments in underdeveloped areas of the world finally begin to imitate the West's own policies? Can we blame them for feeling free to do what they please provided they enjoy the backing of their own popular majorities? Indeed, they may have learned from us to seize and nationalize private property and arbitrarily to tear up contracts, including their own charters.

Colonel Nasser is a thorough student of Western welfare statism and economic nationalism. He desired revenue for a program of "national development." Why should he not seize the Suez Canal Company, this private corporation on Egyptian soil? What does it matter that his government was paid in full for the use of a desert strip before the Canal was built? What of Egyptian signatures to international agreements? What if there were government charters and promises? He enjoys the backing of a popular majority. Does this not make him omnipotent? Does this not lift him above the restraints of moral and ethical laws of human relations?

Can the sovereign state of Egypt be bothered that the private property it seizes happens to be the life line of British Commonwealth trade and controls the flow of Mideastern oil? What does it matter that the well-being of all Europe must deteriorate through his nationalization of the Canal? What other sovereign state considered foreign interests in the realization of its statist objectives? Influenced by such ideas, Colonel Nasser embarked upon his tragic policies of economic nationalism and international conflict.

The next move then was up to those whose property had been seized. Among the victims, the governments of France and Great Britain decided to seize the Canal by force, pending an international conference to discuss the Canal's internationalization. No party involved wants to return the Canal to its lawful owners. Internationalization and control by several governments, however, merely means collectivism and economic nationalism on a supergovernmental basis.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

What Course Freedom?

The defender of private property and competitive enterprise, observing such an insoluble conflict, is at a loss regarding the question of guilt. Is he to sympathize with the culprit who started the conflict in order to finance various "welfare policies"? Or is he to sympathize with the socialized victims who resort to force, which is evil, in order to alleviate the original evil?

In sharp contrast to the international conflict between socialist governments in this Mideastern affair is the peaceful coexistence of laissez-faire nations, which realize the ideals of personal freedom of choice, private ownership and control of property, and peaceful exchange in a competitive market. Under this concept, the sole function of government is the protection of its own people from domestic peacebreakers and from foreign aggressors. Such a government would wage war only to defend the lives and property of its own citizens. This means that it should not participate in foreign wars that grow out of economic nationalism. For such warfare only destroys and does not protect life and property.

While an individual peacebreaker can easily be punished and isolated in a penitentiary, a collectivist nation conducting policies of economic nationalism can be disciplined and subjugated only through a full-scale war and subsequent occupation of its territory. To discipline a nation that refuses to embrace the doctrines of freedom and free enterprise is an endless and hopeless task.

A citizen of a free country who goes abroad should know that he travels at his own risk. Crossing the border of his state and entering socialist or interventionist territory is to leave law and order behind. He risks transgressions by the foreign state upon his life, liberty, and property. A businessman who invests his funds in collectivist territory must consider the risks of expropriation, foreign exchange control, confiscatory taxation, and many other "welfare" measures. He is beyond the protection of his capitalist government. He is on his own.

The Principles of World Leadership

Despite curbs and checks on its power, and its inaction in a world of conflict, a government designed for freedom is a natural leader. The creative power of a free nation by far excels that of socialist or interventionist countries of similar size. And it is productive strength that lends the position of leadership to a country in a world that is always fighting or preparing to fight.

But true leadership that exerts

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

potent influence toward world peace and prosperity springs from a far more important source than material and military might. True leadership grows out of impeccable behavior and moral conduct. A leading nation that lacks these prerequisites can guide the world only to more chaos and conflict.

Above all, such a nation must refrain from any act of economic nationalism. It must not harm any other nation through "welfare" policies of its own. It must adhere to its own design for freedom. To reprimand other nations for policies of economic nationalism while waging economic war upon its own neighbors would be hypocrisy and sanctimony.

Throughout most of the nineteenth century Great Britain was a true world leader. Her famous open-door policy treated Britishers and foreigners alike. The Empire was a vast free-trade area in which the government merely undertook to maintain peace, law, and order. Most civilized nations soon followed suit in removing their trade barriers and adopting the Empire standard of exchange, the gold standard. The British government indeed led the world during the most peaceful century of human history.

A leading nation must also reject the immoral principle that one act of economic nationalism by one government sanctions the nationalistic policies of all other governments. This is the principle that crime becomes righteousness if a previous crime has remained unpunished. But this very assumption underlies many prevailing notions concerning foreign affairs.

Things We Can Do

World leadership demands that we should openly judge world events and explain the fallacy of every act of economic nationalism. If a foreign government contemplates or embarks upon economic aggression through "welfare" legislation, we should call attention to the inevitable harm inflicted upon other nations. We need not intervene forcibly, for nations cannot be coerced to peaceful coexistence. Only a change in political and economic outlook can bring this about.

Naturally, we would sign no treaty with a government that has disregarded its own agreements and torn up its own charters. Nor would we assist any government that nationalizes private industries, for then we would be helping to promote collectivism and ultimate destruction. There could be no point in our extending diplomatic recognition to any government that indulges in economic nationalism.

Finally, world leadership requires that we constantly defend

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the principles of individual liberty and free enterprise. At every opportunity we should call out to the world that only competitive private enterprise can lead to peace and prosperity. We have a glorious history of individual freedom and safety of property – the absence of nationalization and confiscation by an omnipotent state. Our recent excursions toward the Welfare State endanger our record – and ourselves. But if we will correct that trend, then with pride we can demonstrate to the warring world that individual liberty is the only durable foundation for peace and prosperity.

If our way is freedom, then other nations on their disastrous roads may someday listen to reason and follow us as all civilized nations followed Great Britain during the nineteenth century. Law, order, and peace may then return once again to a battered world suffering from an absence of individual freedom and free enterprise. • • •

Philosophies in Conflict

THERE IS A SHARP DISTINCTION between liberalism and the fraudulent substitute that passes for it today. Throughout history two basic philosophies of life have been in deadly conflict. One concept, the liberal concept, is based upon the belief in the importance of the individual soul and personality. It is based upon the theory that the state was made to serve man, not man to serve the state. The other concept, the authoritarian concept, assumes that man, the individual, is of no importance. It assumes that man, collectively, as represented by the state, the church, the labor union or some other collective aggregate, alone is important. One concept exalts man, the other debases him.

TOWNER PHELAN, *Liberalism Stands for Freedom*

To Choose for Himself

IT MAY BE GREAT and glorious to fight and die for the world's salvation, for the salvation of the United Nations, for the salvation of democracy and Christian civilization, but that is a privilege of each man, a privilege he has a right to choose for himself. It is not a duty which citizenship imposes.

LOUIS ST. LAURENT, addressing the Canadian Parliament, 1942

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

WHEN LINCOLN WAS A BOY

SAMUEL B. PETTENGILL

HAVE YOU ever been alone at night in primeval wilderness? There are not many places now where virgin timber stands untouched by ax or saw.

One such place is Turkey Run State Park in Indiana. I was there one September. It told me something about Lincoln. I pass it on to you.

Toward midnight I went in the woods alone far from sight or sound of the nearest human being. A huge harvest moon in a cloudless sky sent long pencils of light down through the foliage of the forest. The gigantic tulip trees and sycamores stood in a hush of attention as if listening for the remotest whisper from earth or sky. They reached almost as high as an eight-story building before sending off their lowest branches. The massive trunks, glistening in the moonlight, seemed like the columns of some temple of the Egyptians where men worshipped forty centuries ago.

A curious sensation came over me. I felt my utter insignificance – the merest speck in space, and yet, with that feeling of littleness, another quite different. It seemed that I could reach up past that leafy ceiling to the quiet stars; that I could reach down through the cool earth to the roots of those titans of the forest as they sought and found the sap of their sustenance.

The patience of the stars, the calmness of the sleeping earth, the massive strength of those mighty trees, the clean tang of the midnight air, – all these entered through some window I did not

Mr. Pettengill, noted attorney and author, was formerly a congressman from Indiana.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

know I had. I hope you have all felt these things, if only once in a lifetime.

And then, as I stood there, I thought of Lincoln when he was a little boy in Indiana seven score years ago. It occurred to me, with a significance I had never realized, that when he was a lad it was primeval forest everywhere, not at Turkey Run alone; that every night when he was a little boy and everywhere when he was alone in the woods, he must have sensed those same impalpable presences; that what was to me an unforgettable hour was to him the constant companionship of all his impressionable years.

The friendliness of trees! We have lost something in this age of brick and steel and concrete. Not so in 1816. Trees made the flat boat that gave safe passage across the Ohio to little Abe and his sister Sarah, to his father and Nancy Hanks. Trees made the "half-faced" cabin – open on one side to the bleak weather – where they spent their first Indiana winter. Trees fed the fire that gave them warmth and lighted the pages of the Bible. Trees made for them their bed of leaves. Trees gave them the sugar of the maples, the brown nuts of autumn. Trees drove out the mosquitoes with their pungent log-fire smoke. Trees drove back the wolf and the panther with their glowing pine knots. Yes, and trees made for them crude chairs, tables, beds, ax-helves, ox-yokes, cradles, coffins. Little Abe with a whipsaw helped fashion one of these pioneer coffins. In its embrace a pioneer woman went "over Jordan."

Trees were friendly things.

"Such were a few of the many, many things the moon might have told little Abe Lincoln, going on eight, on a winter night on Little Pigeon Creek, in the Buckhorn Valley in Southern Indiana – a high quarter-moon with a white shine of thin frost on the long open spaces of the sky." You will find this in Carl Sandburg's "Prairie Years."

And then I thought of how little schooling the world has said Lincoln had – little Abe and Sister Sally tramping hand in hand over rough trails to school – four miles and back – eight miles a day. Not much schooling there for two little children.

But suddenly I felt less sorry for Abraham Lincoln. Everywhere he went were the trees of the primeval forest – tulips, sycamores, oaks, elms, maples, beeches, walnuts. Everywhere that sense of peace, that feeling of being close to God. And I knew then that the statement in the books that Lincoln had little schooling was false, that he

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

was at school many and many an hour when the boy of today is teacherless, learning the patience and the strength and the toughness and tenderness of trees, a lesson from the great Book of Life that never needs revision.

I understood better then the saying of the pioneers: "The cowards never started and the weak never arrived." I understood the Rail Splitter better and America better in the big timber at Turkey Run. • • •

OUR MECHANISTIC AGE

HELPING US—OR MAKING US HELPLESS?

CHARLES A. LINDBERGH

WE DWELL in a smaller world, by the scale of clocks; we are more vulnerable to our enemies, more accessible to our friends; we tap previously distant sources of supply. Science has revalued geographical locations, increased the density of populations, and offered its rewards to new knowledges and trades. The houses we own, the meals we eat, the tensions we feel, the skills we teach, differ from those of our forefathers in fundamental ways. Ideals, wealth, and power are all in a state of flux.

When the art of flying was very young, most of us thought that men on wings would soar over mountains and oceans to bring countries close together in peaceful understanding. We assumed that easy contact between peoples would simplify diplomacy, and decrease war. Now, at the end of the first half century of engine-driven flight, we are confronted with the stark fact that the historical significance of aircraft has been primarily military and destructive. Our bombs have wiped out, in minutes, an inheritance of life and labor which centuries created. Aviation is having its greatest effect on the force-influence of nations and factors of survival, while diplomatic relationships are floundering in a strange new framework of power, time, and space.

With hindsight we see that our early enthusiasm over the discoveries of science and the conquest of the air blinded us to natural laws which govern the conduct of men.

Man has always had a tendency to complicate his life with techni-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

cal knowledge and material devices. Since the mechanistic age began, we have allowed ourselves to become increasingly bound to a regime required by its training and encouraged by its products.

Our scientific, economic, and military accomplishments are rooted in the human quality which produces them. In the last analysis, all of our knowledge, all of our action, all of our progress, succeeds or fails according to its effect on the human body, mind, and spirit.

The Nature of Man

Man is born with qualities of body, mind, and spirit. No system can maintain the utmost power unless it gives all his faculties free play. Most of us remember when the requirements of living enforced a more balanced life. Not many years ago, the efficiency and specialization demanded of us today were impossible. As a lawyer, my father harnessed a horse to carry on his business. As a young pilot, I unlashed my wings from fence posts and pulled through my own propeller. But my father and I knew the feel of rain and the smell of ground, and there was time for our thoughts to wander. When night came, our muscles put our brains to sleep.

Now, modern standards require an efficiency which immobilizes the muscles and the senses while it overactivates the brain.

Youth must specialize in technical training. Daylight hours of adult years must be spent beside machines, drafting boards, and desks. Here, we meet the basic question of how deeply and how long man can consecrate himself to his machines without losing the human qualities essential even to effective consecration.

American aviation has accepted the responsibility for material power. From the standpoint of short-term survival, the confidence placed in our science and industry has been justified through the performance and the numbers of our aircraft. But our very success in the field of material power silhouettes problems of human power which confront us. War, strikes, and political unrest have flamed on all our speed-compressed horizons. From the standpoint of long-term survival, what is our regime of life doing to our people?

Problems of Our Age

During decades of industrial development, western man has taken himself for granted while he concentrated his attention on his material creations. He now wakes rather suddenly to find his security dependent on the machine organization he has built, with his civilization threatened by its products.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

He comes to the increasing realization that he has not kept inward pace with his outward actions.

This mid-century generation we represent stands on amazing accomplishments, but faces alarming problems. We have wiped out a city with a single bomb, but how can we use this fact to heighten our civilization? We build aircraft by the tens of thousands in our factories, but what will our factories build in the character of their personnel – not only in our generation, but in our children's, and their children's? We tie all countries close together, put each doorstep on a universal ocean, but how are we to direct these accomplishments to improve the basic qualities of life? In emphasizing force, efficiency, and speed, are we losing a humility, simplicity, and tranquility without which we cannot indefinitely hold our own, even in worldly competition?

These are the problems of human power, of long-term survival upon earth. We have shown what man can make of science. Now it is a question of what our scientific environment will make of man, for an environment affects the form and thought of each new generation. To date, the results of science have been primarily materialistic. We have measured success by our products rather than by ourselves. A materialism which overemphasizes short-term survival detracts from the humanism essential to long-term survival. We must remember that it was not the outer grandeur of the Roman, but the inner simplicity of the Christian that lived on through the ages.

I have stated a problem. You have the right to ask for a solution. I believe the solution lies in each individual, through the standards he holds; that it lies not in political parties or radical movements, but in human values and gradual trends; not in a greater complication, but in a greater simplicity of life. In other words, I believe that the solution lies within ourselves, and that we can find it nowhere else.

But we must have more than an intellectual desire, filed away in the archives of idea. It must enter the roots of our being until it shapes our action instinctively as well as through the conscious mind, until we see the producer as more important than his product, and find it no sacrifice to renounce material standards of success – until we realize in our bones as well as in our brains that the character of man still forms the essential core of a lasting civilization. • • •

From an address before the Institute of Aeronautical Sciences, New York, January 25, 1954.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

PHILOSOPHY THROUGH THE BARS

Great works of literature have been written by men who used wisely their time in prison.

F. A. HARPER

THREE years ago, I received a unique inquiry for some reading materials. It came from the librarian of the Iowa State Penitentiary, a man serving sentence for a serious crime.

"Perhaps these men are attracted by our claim to be working for the cause of liberty," someone punned. "Surely they have little interest in the philosophical subjects with which we deal."

That judgment proved to be wrong, as later evidence revealed.

After receiving the large supply of FEE materials, the librarian read them all, including the books, within a period of five weeks. Then he wrote, "As for me, the most interesting release is *The America We Lost.*" That is one by Mario Pei, Professor of Romance Languages at Columbia University.

The librarian continued, "We could use all the releases you would care to send us, and I'm sure they will have a big circulation here."

Thereafter, he sent me his annual library reports regularly. They reflected pride of accomplishment that would challenge the devotion to responsibilities of most any librarian, anywhere. This man obviously served his fellow prisoners well, helping to further their education. They must miss him, now that he has been released on parole.

Together with another prisoner, this man – in addition to his regular library duties – helped to develop and had patented a new type of electric stylus for library work.

As a bit of background with which to compare prisoner reading, a recent survey revealed that five out of every six college graduates had done no outside reading at all of a serious nature during the preceding few months. Those who can read have a theoretical advantage over those who can't, but they will surely narrow that advantage with passing time if the ability is not used. Hardly an adequate sub-

Dr. Harper is a member of the staff of the Foundation for Economic Education.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

stitute for good reading, someone has reminded us, are many of the programs on radio and TV.

Prisoners Who Read

As a sample of the educational work done by this library, note these figures for the year ending in May 1953:

Number of books circulated	50,776
Number of magazine issues circulated	86,630
Number of persons (approximate average)	1,200
Circulation of books, average for the year:	
	Books per person
Fiction	31.0
Nonfiction:	
Sociology	1.6
Biography	1.4
History	1.4
Philosophy	1.4
Travel	1.2
Literature	1.0
Useful Arts	0.9
Religion	0.7
Fine Arts	0.6
Natural Science	0.5
General Works	0.3
Philology	0.3
Total nonfiction	11.3
Total	42.3

A book "circulated" is not necessarily read, of course. But even so, how many people do you know who can equal that record for apparent reading, other than perhaps a few college students with their assigned readings? Note especially the average per person of one book a month of serious reading – sociology, biography, history, and the like.

Prisoners Who Write

"But," someone will suggest, "why shouldn't these men do lots of reading? They have plenty of time. The rest of us are too busy to read. For them it is important to have their minds as well as their muscles exercised, as an important form of therapy."

In a sense this is true. Their confinement surely offers a certain opportunity, if used to advantage. Many of these men are proving that much can be learned from books without going to college, and that they are learning far more, year for year, than a large proportion of college students do. And a year in college costs $1,750, more or less.

Many of these men, I have discovered, are accomplished writers with highly talented minds. After all, we know that it takes no more than a moment's violation of the code of societal discipline, and a brilliant mind may be put behind bars for years or the rest of his life. There he will be found, along with the less talented "habitual criminal."

We know, for instance, that

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

many great works of literature have been written by men who used wisely their time of confinement in prison. Among such works, in whole or in part, are:

Socrates, *Apology*
St. Paul, *Epistles*
John Huss, letters
Jeanne D'Arc, testimony at her trial
Tommaso Campanella, *The City of the Sun*
Walter Raleigh, *History of the World*
Richard Lovelace, *To Althea from Prison*
John Bunyan, *The Pilgrim's Progress*
William Penn, testimony at his trial
Daniel Defoe, *A Hymn to the Pillory*
Thomas Paine, *To James Monroe*
William Lloyd Garrison, *Freedom of the Mind*
Dostoevsky, letters
Oscar Wilde, *De Profundis*
O. Henry, short stories
Mohandas K. Gandhi, . . . *His Own Story*

Perhaps even more important than a list of works actually written while in prison would be those inspired by contemplation while so confined, but written after release.

A Journalistic Endeavor

The librarian of the Iowa State Penitentiary sent me a copy of *The Presidio,* the prison magazine prepared and published monthly by the men there.[1] They do an excellent journalistic job, editorially and otherwise.

Take the November 1956 issue, for instance. In it you will find a quote from Franklin about truth and sincerity, an article by the prison author, Tom Runyon, a reprint of an item by the Reverend Norman Vincent Peale, and the Warden's regular page that is always worth reading. There is an article on capital punishment, followed by a touching illustrated story, "The Presidio Presents the Last Mile" (to the gallows) which ends with this classic:

> I expect to pass through this world but once; any good thing therefore that I can do, or any kindness that I can show to any fellow-creature, let me do it now; let me not defer or neglect it, for I shall not pass this way again.
>
> STEPHEN GRELLET

Then there is a thoughtful article by Bob Russell, "Freedom's Not the Answer." His theme is to the effect that if you were to give him his freedom tomorrow without first orienting him to play his part in a free society better than when he went in, you are "doing me a wrong and society an injustice." And then he would be brought back one day. In pleading for occupational training and

[1]Fort Madison, Iowa. $1.50 yearly, domestic.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

therapy in social conduct, Russell makes the telling point that "men who leave here after training in our small radio shop do not return. This is not just a coincidence. They do not return because they have found an acceptable way to earn a living, and a new self-respect in that ability.... Insecurity cannot survive in a being who knows he is equipped to do a job and do it well. . . . Freedom is not the answer if we are to leave here no better than the day we arrived."

A Lesson for Our Time

Further on in the magazine is to be found an article which richly repays the limited price of admission to the penwork of these men – "Always" by Pete Tenner. This article seems worth quoting at length. It is a notable piece of thinking about a philosophical disease of our time which widely afflicts those of us outside prison bars:

ALWAYS

I heard a man make a statement recently that left me so shaken that I had to force myself to stay away from this typewriter long enough to be sure I had brought my emotions under control. . . .

Who the man is, the one who made the statement, is of no real importance. But what is important is the fact that he is a graduate of a fine Midwestern college, and holder of a degree in sociology. Even that might not have too great a significance except that during a lecture to a small group, he announced he had recently accepted the post of institutional sociologist in what is regarded as a progressively operated Midwestern prison, in order to make a study of, and to classify, each inmate, so as to be able to help both the inmate and society, in any way he and his profession could. Always keeping in mind, of course, three things:

No. 1. Society is always right!

As for the other two things he is always going to keep in mind, I'm afraid I'll never know, because when I heard what appeared to be an intelligent man, a college graduate with a degree in sociology . . . make the flat, unqualified statement that society is *always* right—and realized that this was the man to whom the job of assisting in the rehabilitation of fallen men was being entrusted—I'm afraid I blew sky high. . . .

I questioned him at length about his reasons for making such a remarkable statement. But, no matter how I tried, I was unable to elicit any departure from his original statement. *Society is always right.*

I even tried suggesting that perhaps he meant society always had the right to set up specific rules, and punishments for the violation thereof, which, although injuring the individual, might serve to benefit society as a whole. "No," said the sociological expert, "Society is right at all times."

Time ran out and I relinquished the floor, amazed and literally stunned

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

with the realization that in spite of historical fact to the contrary, this man was sincere in his belief that society is always right and therefore, if he were to be consistent in his logic, entirely immune to error! . . .

In 29, or 33 A. D. (depending on which Bible you read) Roman society, through its representative Pontius Pilate, turned Jesus Christ over to his soldiers for them to do with Him as they would, because the chief priests and elders of Israel who were the spokesmen for the Jews (Jerusalem Society) demanded that he do so (Matthew 27: 17-28). Was society so right then?

Through the centuries, even up until comparatively recent times, all Chinese society agreed that the killing of the surplus of girl babies was right. Did that make it *so*?

In or about 1914, Prussian society, which at that time ruled all Germany, said, through their chief spokesman, Kaiser Wilhelm II, "Might is Right." Was that society right?

In 1923 there was conceived one of the most vicious systems of government in history and through complacency of society Nazism was spawned. In 1933 then, when German society welcomed Aryan Hitler not only as their spokesman but as their lawmaker as well, he decreed that it was a patriotic duty to slaughter the Jews right and left. Who was it then but society, good, fine, irreproachable society, not local outlaws, that went out and committed offenses against God and humanity that are still being talked of in whispers? Just how can any decent thinking human claim that society was right?

Shall we leave foreign lands for a bit and skim but lightly over our own local society? Fine. We'll start with the "backbone" of American society, Massachusetts in the seventeenth century.

Is there anyone reading this who would care to try to justify society and its being right in its witch-hunts at Salem? Or the burnings which followed? You won't without also justifying stupidity, superstition, and maliciousness. . . .

If you'll look back through history . . . you might agree with me that society is nothing more nor less than any large group of people, sometimes good, sometimes bad, sometimes right, sometimes wrong, who follow, and ordinarily live by, laws which are written into the books by those persons who were the most eloquent, those persons who were most persuasive, and who, by that eloquence and persuasiveness, succeeded in getting society to elect or appoint or otherwise install them into office whether it be King, President, Governor, Mayor, Congressman, Legislator, County Supervisor, Judge, or whatnot.

These are the men then, not society, who create the laws governing society, and society, being responsible for the actions of these persons, must at all times be willing to accept the blame for their evil as well as

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

praise for their good. Society is therefore just as right, or wrong, no more, nor less than those persons who represent them!

No degree from any college has ever carried the guarantee that the holder thereof would not have a distorted view of the subject he was taught — so — I would like to know how any sociologist is going to hope to arrive at a decent, honest appraisal of a man's character and to make an honest prognosis of the man's case with the preconceived idea that society is always right. . . .

Don't forget, the only perfect Lawmaker, the one Man in the history of the world Who was never wrong, the one Man Who gave us ALL good laws and Who was always right in His interpretation and judgment of those laws, was crucified by that same society you now say is always right.

There you have it. A man behind prison bars is making valuable use of his time while confined. I believe he is serving all of us outside in suggesting that we stop deriding the idea that there are any eternal principles. Otherwise we shall find ourselves pursuing, at a frantic pace, a futile attempt to form a world while denying the existence of any forms within which to fit it.

Perhaps those of us not behind prison bars, of all ages and walks of life, should try to rediscover the virtue of solitude put to good use in study and contemplation. Outstanding minds throughout all of history seem to have indulged. If they did not seek the solitude of a mountaintop or the silence of a desert, leastwise they learned how to synthesize those conditions in whatever their environs. Unless some of these fruits of solitude can be garnered and mixed with the rush of affairs of material living, persons and the societies they comprise will surely become lost in the illusion that "society is always right." Must we learn this from prisoners like Pete Tenner, who are availing themselves of the opportunity forced upon them? If so, let's learn it and be grateful.

Even though outside prison walls, one often feels barred in by a society he knows may *not* always be right, as judged by the perspective of Eternal Truth. At such times, he has something in common with a prisoner. He may find a welcome freedom from the strains of life in reading a good book, and in the use of a pen to supplement and assist his thinking. Whether or not the product is ever published is not, in one sense, too important. It is what the process seems to do for the writer that is important, adding to his peace of mind and development. • • •

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

TWO Kinds of Inflation

HENRY HAZLITT

IT IS reassuring that the President has expressed concern about inflation. Unfortunately his remarks reveal the same misunderstandings that have led to the world-wide continuance of inflation.

He falsely distinguished between "two types" of inflation. "One is just cheapened money, deficit spending . . . and printing money . . . that naturally brings rising prices because the money itself is cheaper." This increase in money supply is the real cause of inflation.

But the President went on to describe what he thought was another type of inflation: "There are also the rising prices brought about by the efforts of all people to gain a bigger portion of the results of our great productivity. Finally you get to the point . . . where you cannot attract money, capital investment money, that will build the factories that give . . . 67 million people their jobs, because lying behind every job in America is an investment of . . . $15,000 to $17,000. That money has got to be accumulated . . . If you raise prices . . . too rapidly in one area, say the labor area, then prices go up, and finally you get to a point where you simply can't keep things in order." He ended by expressing confidence that there would develop "business and labor leadership that is sufficiently wise and farseeing to help solve this problem and keep it within bounds."

Too Many Dollars

It is, of course, highly encouraging that the President recognizes the need for industry to earn enough profits to make possible more capital investment. This constantly increases productivity and hence real wages. It is equally encouraging to find him urging unions to refrain from excessive wage demands.

The truth, however, is that there is only one real type of inflation and only one direct economic cause. That cause is an increase in the supply of money and credit. It is the oversupply and the cheapening of the monetary unit that raises prices.

This does not mean that wage rises brought about by union pressure are irrelevant. They are often links in the full chain of inflation causes, though they are neither

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

necessary nor sufficient in themselves to bring inflation. If unions raise wage rates excessively, and there is no increase in the money supply to make the payment of these higher wages possible, the result will not be to bring inflation but simply to bring unemployment. The chain of causation is then: Higher wage rates – higher costs – higher prices – lower sales – lower employment.

Who's Responsible?

Net unemployment can for a long time be averted or postponed, however, by a sufficient increase in the volume of credit. In this case the chain of causation is: Higher wage rates – increased borrowing from banks to meet larger payrolls – an increase of bank deposits as a result of this borrowing – consequent increase of the money-and-credit supply leading to still higher prices – still further demands for wage increases, etc.

It is precisely here that the responsibility of government for the whole inflationary process becomes clear. If the government had the courage to stop the increase in the money-and-credit supply (chiefly by allowing interest rates to go up), then the only result of excessive wage rates would be unemployment, and the only cure for the unemployment would be to reduce these wage rates back to an equilibrium level.

But hardly any present-day government has the political courage to take this step. Worse, most governments, like our own, build up (through their own equivalents of the Taft-Hartley Act, the Norris-La Guardia Act, the Walsh-Healey Act, and the minimum-wage law) a situation that encourages excessive wage-rate demands and makes it next to impossible for employers to refuse them. That is why inflation today is world-wide.

Yet every government talks as if inflation were an epidemic beyond its own control. It piously asks labor, business, and consumers to exercise restraint – after it has itself removed the penalties for lack of restraint. As one candid "full employment" zealot confessed in *The London Economist* more than five years ago: "Inflation is nine-tenths of *any* practical full employment policy." • • •

Newsweek, December 3, 1956.

Such a Problem

WHAT CAN YOU DO against the lunatic who is more intelligent than yourself, who gives your arguments a fair hearing, and then simply persists in his lunacy?

GEORGE ORWELL, *1984*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Cost of Depreciating Money

By a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens.

IN GERMANY before the first World War, 40 billion marks of mortgage loans were outstanding—calculated to represent about one-sixth of the German national wealth. By 1923, when the mark had depreciated to a point where it took 42 billion of them to equal one U.S. cent, these loans were practically worthless. In a word, inflation gave away to debtors the wealth of creditors. It destroyed the provident middle classes, wiped out the pool of loanable funds, and erased every sensible reason for saving—for laying aside any portion of income for lending at interest. Speculators in commodities, land, and foreign currencies offered fantastic rates of interest for borrowed funds, but little was forthcoming. People, to beat rising prices, spent their money as fast as it came in. They had to, for survival. Thus the paradox that the more money the government printed the scarcer it became for would-be borrowers.

The German experience with explosive inflation during and after World War I is not unique. It was repeated in a number of countries in World War II.

Since World War II, slow-burning inflation has been the order of the day, afflicting almost the entire world. This is due mainly to political pressures to sustain full employment at constantly rising wage levels. One hears more and more competent observers projecting this drift indefinitely into the future, warning that "we are in a long-term cycle of inflation" or that "we shall experience a rising price level for the rest of our lives." There may be interruptions, we are told, and the average rate of rise in prices will be modest—possibly no more than two or three per cent a year.

Two or three per cent a year, on the average, has seemed quite harmless to many political leaders and economists. It does not seem harmless to savers trying to accumulate resources for retirement, education of their children, and family emergencies. They have been alerted to their perils by noting how their past savings have depreciated in real value and by

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the many predictions that the future will hold more of the same. They want better returns, and governments, with greater or less reluctance, have submitted to their demands and let interest rates rise, recognizing that a nation that systematically steals away the citizens' savings is inviting an uncontrollable holocaust of inflation.

The Point of No Return

Progressive inflation has been a world-wide phenomenon, as the following table suggests. The table shows for 16 countries the depreciation of money since 1946 as measured by official cost of living indexes. If the depreciation is converted to an annual rate, com-

RATES OF INTEREST AND DEPRECIATION OF MONEY

	*Indexes of Value of Money**		*Annual Rate of Deprec.*	*Rates Offered on Gov't. Bonds†*	
Country	*1946*	*1956‡*	*(comp'd.)*	*1946*	*1956‡*
Switzerland	100	86	1.5%	3.10%	3.23%
Germany	100	72	3.2	n.a.	4.90
India	100	72	3.2	2.88	3.98
United States	100	71	3.4	2.19	3.27
Venezuela	100	70	3.5	n.a.	3.63
Netherlands	100	67	4.0	2.99	4.10
Canada	100	65	4.2	2.61	3.88
South Africa	100	65	4.2	2.89	4.75
Sweden	100	65	4.3	3.01	3.74
United Kingdom	100§	65	4.6	2.76§	4.86
New Zealand	100	59	5.2	3.01	4.73
France	100¶	58	6.5	4.26¶	5.48
Mexico	100	47	7.4	10.44	10.12
Australia	100	46	7.5	3.24	5.04
Brazil	100	26	12.7	n.a.	12.00
Chile	100	5	25.3	9.22	13.82

Note: depreciation computed from unrounded data. n.a. not available. *measured by rise in official cost of living or consumers' price index. ‡latest month available. †except for mortgage bond yield in Germany, commercial paper in Venezuela and Mexico, and commercial bank loan rate in Brazil and Chile. §1947. ¶1948.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

pounded, as the third column of the table shows, the saver has a measure of his point of no return – the annual rate of interest which he would have had to receive, and reinvest at compound interest, to have the same amount of purchasing power now as he had in 1946.

Rates of interest available in 1946 were artificially depressed by "cheap money" policies in most countries, and did not give the saver compensation for the depreciation in store for him. Switzerland, which offered 3.1 per cent on government bonds, was an exception, and the fact that the conservative investor in Switzerland has on the whole been better treated than elsewhere has something to do with the fact that interest rates in Switzerland today are the lowest in the world.

In most countries, the saver of ten years ago has suffered serious losses in purchasing power; rather more than the table would indicate since interest income is often subject to taxation that waters down the rate and retards the working of compound interest. In the United States, for example, assume a capital sum invested ten years ago at 3.4 per cent, with all interest reinvested at the same rate. This sum would have grown enough in nominal value to keep up with the average rate of depreciation of the dollar only if the interest were free of income tax. A person in the 20 per cent income tax bracket would have required a taxable interest rate of 4.3 per cent; in a 40 per cent bracket 5.7 per cent; in an 80 per cent bracket 17 per cent. And all this simply to hold even with the depreciation of the dollar and avoid actual loss.

A Sorry Chapter

This has been a sorry chapter for the lender of money at interest. Today's higher rates help, but they will still leave the saver falling behind in the race unless the price record of the next ten years is better than it has been over the past ten. Of this there is promise, for the rise in interest rates itself is a reflection of a greater sense of discretion by government central banks and treasuries in creating money. Politicians who want lower interest rates must get them the hard way – by curtailing government expenditures and income tax rates, stopping the upward price drift, and letting the loan capital of the people grow. • • •

From the *Monthly Letter* of the First National City Bank of New York, December 1956.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Free Enterprise

C. D. KEMP

PEOPLE often speak of "free enterprise" as a system with which they contrast other systems such as "socialism" or "communism."

Free enterprise is not really a system at all. Unlike socialism or communism, no one ever sat down and thought it up and said: "Here is a way of running production and distribution."

In its main essentials free enterprise just grew. Nobody invented it. And it grew as it did out of experience and because it reflected deep-rooted human motives and objectives. In other words it has its roots in human nature. It is not a cut-and-dried way of doing things. It is changing all the time. But it does rest on two primary beliefs held by most people in the western world:

1) that people should be free to use their talents and their enterprise to improve the lot of themselves and their families.
2) that they are entitled to be rewarded in proportion to the value of the work they do and the enterprise they display.

When governments say things like:

"You must not produce that; you must produce this."
"We will compel you to save more and to spend less."
"We will tax and take away the great part of any extra earnings you may make as a result of your extra work, ability, or enterprise."

Then free enterprise is in danger.

From the August-September 1956 issue of *Facts*, a publication of the Institute of Public Affairs, Victoria, Australia, of which Mr. Kemp is Director.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

RALPH BRADFORD

SCHOLARSHIP and INTELLIGENCE

INTELLIGENCE, says Albert Edward Wiggam, "appears to be the thing that enables a man to get along without an education. Education," he adds, "appears to be the thing that enables a man to get along without the use of his intelligence."

Like many clever epigrams, that one is only partly true. Intelligence certainly helps a man to get along without an education; but to be educated does not necessarily mean that he forsakes the use of his intelligence – imposing evidence to the contrary notwithstanding. Possibly Wiggam had been so unfortunate as to come into contact with a disproportionate number of educated fools, whom he did not suffer gladly!

Considerable confusion exists about the term "education." What does it mean to be educated? It is elementary and perhaps trite, but still educational, to remember that the word *educate* derives from the Latin *e* and *ducere*, meaning literally to lead out or away from. The educational process, then, is not one of cramming the memory with dates, facts, figures, and literary allusions. The secret of getting educated is to use all such things as a means of leading one out from one's self. The practical measure of an education is not how many things a man knows, but what use he makes of the knowledge he has acquired.

Another term that often misleads – or that is often used misleadingly – is "scholarship." A scholar, of course, is "a learned person; one versed in any branch, or in many branches, of knowledge; a person of thorough literary or scientific attainment; a savant." But even in Webster's, which I have just quoted, nothing is said about intelligence being a necessary part of scholarship.

Scholarly Anomalies

Perhaps, on the side of realism, that is just as well; for a disconcerting number of scholars seem to honor intelligence more in the breach than the observance. A man may be held in almost breathless awe because of his scholarship, yet perform acts or utter sentiments

Mr. Bradford is a well-known writer and business organization official.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

which, to my meager intelligence, appear nonsensical. He may be profoundly versed in the mathematics of physical science, yet still allow his name to be associated with movements so clearly inimical to freedom that an intelligent sophomore would see through their sham. A woman may be educated to the level of supposed scholarship; she may in fact be in demand as a lecturer or as a contributor to magazines and newspapers, and yet be the direct or oblique supporter of ideas and activities whose phony benevolence would at once be seen through by that same discerning undergraduate.

Professors of Socialism

Much of the dangerous nonsense of the past twenty-five years has come from the realm of scholarship. It was an amiable professor—a real one—who peddled the idea of a managed currency to political leaders who were themselves well educated. It was a scholarly playright who helped nurse to maturity the clumsy monster of Fabian socialism which has now all but extinguished the flame of Britain. It was an academically educated politician who shrugged off the accumulating billions of our public debt as unimportant because "we owe it to ourselves." Examples could be multiplied. Such people and many like them are scholars by definition. But were they intelligent? Or at any rate, did they act intelligently?

Arrayed against them, it should be added in fairness, were many equally reputable scholars. It is certainly not the purpose of these paragraphs to indict scholarship for all the world's follies, but to make the point that scholarship as such is not always and necessarily the hallmark of wisdom, or even of intelligence.

The Common Sense of Freedom

From all of the above it could be argued, I suppose, by those who are addicted to that brand of forensics, that my real definition of an unintelligent person would be one who does not agree with me. Such an attitude, of course, would be the depth of unintelligence on my part. There are other criteria.

For instance, surely it is now agreed by all people of intelligence that freedom cannot be preserved by constantly extending the controls exercised by government over individual citizens. Yet the demands for more and more government are nearly always supported by an imposing array of scholars. Surely it is now generally recognized by people of ordinary "horse sense" that a nation's currency cannot be managed without a corresponding management of the lives of its people. Yet there is

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

much scholarship behind the idea of juggling the value of our money. Scholarship that was held in high repute supported the proposal that was seriously advanced a few years ago to legislate that government officials should raise or lower taxes, not in response to the financial needs of the government, but for the purpose of providing either "easy" or "tight" money, in accordance with the fluctuations of the economy – all without seeming to reflect for a moment upon the superhuman wisdom that would be required in the officials who were to do the juggling! Again, it requires no staggering intelligence, surely, to understand that a national debt which is not reduced will lead, as it has already begun to do, to a devalued currency, which in turn will mean serious loss if not bankruptcy for those who in good faith have worked and saved. Yet there is weighty scholarship behind the theory of a permanently unbalanced budget. One of the most scholarly men of my acquaintance took me roundly to task a few years ago in a spirited correspondence, because I had been insisting that a nation, the same as an individual, could not continue to spend more than it takes in without eventually going bankrupt. Was he intelligent – or am I stupid?

What, then, is scholarship? As the term is currently used, it may be no more than what Webster's said of it – learning; proficiency in one or more branches of knowledge. That it should be accompanied always by intelligence is highly desirable and generally taken for granted; but alas, it ain't necessarily so! Oliver Wendell Holmes, the elder, complained many years ago that "the world's great men have not commonly been great scholars, nor its great scholars great men." And long before Holmes became the Autocrat of the Breakfast Table, forthright old William Penn was grumbling because there were "so many senseless scholars in the world."

Wisdom to Understand

So what? Is this screed a plea for ignorance, or a mere invective against scholarship? Heaven forbid! The night of ignorance is always around us, even as the eternal darkness of space encompasses planets that would be sunk in midnight obscurity but for the brave light of their mothering suns. Life, health, happiness, progress, every step upward and forward, is a struggle for more light: for knowledge gleaned from man's accumulated and recorded experience. Scholarship is a part of man's evolution.

But the true end of all learning,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of all scholarship, is not merely to know, but to understand. The proper aim of every student, whether youth or graybeard, is not just to be learned, but to be wise. And wisdom does not come from scholarship as such, but from the application of intelligence to the knowledge obtained, be it much or little, utilitarian or recondite. One of the wisest men I ever knew was indifferently educated academically; but by the experiences of life and the exercise of native intelligence he had truly been "led out" from himself. Perhaps that, after all, is the secret of what is needed – the escape from the trammeling curtains of Self which, like the fear of the Lord, is the beginning of wisdom.

This little homily, I realize full well, is subject to a more or less standard form of attack, like all suggestions that are in opposition to a current trend – namely: What's your alternative? Don't just be negative! For heaven's sake, be *for* something! All right: This piece is *for* something. Here is its positive program – in two points:

Point One: All scholars should make an effort to be intelligent.

Point Two: All others are warned not to be hypnotized by the mere label of scholarship. • • •

The Liberal Arts

AS PRESIDENT A. WHITNEY GRISWOLD of Yale defines the phrase, "the liberal arts" means the arts appropriate to a free man. These arts in ancient times were seven: grammar, rhetoric, logic, music, arithmetic, geometry, and astronomy. Their purpose was not to fill minds with factual knowledge. Their purpose was to train the mind.

"This is the purpose of the liberal arts," says Dr. Griswold. "It is not to turn out mechanics and businessmen for the workaday trades that we all follow when we graduate from college and start to earn a living. It is to season the timber before it is built into the ship; to prepare the apprentice before he becomes apprenticed; to give the engineer a humane conception of the society that he is supposed to be serving with his technological devices and practices; to give the lawyer historical and philosophical breadth; to give all of these enlightenment, taste, virtue, and imagination."

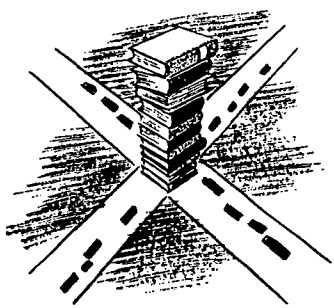
THOMAS DREIER, in *The Vagabond*, November 1956

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE USE OF BOOKS

EDMUND A. OPITZ

BOOKS are instruments of culture and indispensable aids to personal cultivation; but reading may also be a substitute for thinking. It depends on what is read. And in our time things have conspired to place obstacles in the path of the person who has the capacity to use books as instruments of his own upgrading.



In such a time and place as eighteenth century England, for example, literature was produced by a relatively small number of writers for the delectation of each other and of a not much greater number of discriminating readers. The larger public was illiterate. Thus the canons which then guided the writing, publishing, and reading of a book were, for the most part, literary canons. But now, however, things are different. In this age of the many-too-many, when everybody can read and nearly anybody can write, there is a deep and broad public demand for books which have no literary pretensions at all. The public hunger for distractions and sensations in book form puts the catering publisher's head in a noose; his enterprise, to the extent it serves this public, ceases to be literary and becomes merely commercial. When this happens, the markets are flooded by books which have no excuse for being except that a vast public will buy them. In an environment of this sort the individual who has an innate gift for dealing with ideas is in danger of having this divine spark smothered by the avalanche of trash disgorging off the presses.

Man is poorly equipped with sensibilities at birth. Such powers as he may develop in the course of growing up are evoked by his environment from latent and rudimentary capacities possessed as an infant, a child, or an adolescent. Men differ in their native talent for handling ideas, but even the most gifted will fall far short of his potential unless he somehow gets into an intellectually stimulating environment. Such an en-

The Reverend Mr. Opitz is a member of the staff of the Foundation for Economic Education.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

vironment is inconceivable without books—the right books. But there's the rub! How does one encounter the right books when each one has to be retrieved by wading through a sea of trash to get at it?

Know the Literature

The men of Dr. Samuel Johnson's circle could discourse with facility on the large questions of religion, art, literature, music, economics, and politics. It is inconceivable that a monumental work in any of these fields, or in a field that impinges on any of these, should be unknown to any member of the circle. Today, the reverse appears to hold true. Men make their reputations by the resolution with which they exclude any reference to relevant but minority opinion. And this is especially true in the fields of economic and political theory.

Here, for example, is a theologian with one of the most penetrating minds in his field in our time. He was already well-known by the mid-1930's and a full professor in a graduate school of divinity. In 1935 he wrote a widely read book on ethics, constructing his theory within a social framework supplied by Marxian economic and political theory. In 1956 he is forced to say, "I was only dimly feeling my way in this book toward a realistic and valid Christian ethic. I disavowed some of my ideas and amended others in later works, which roughly represent my present position. I am not, therefore, able to defend, or interested in defending, any position I took in *An Interpretation of Christian Ethics.*"

It takes a broad-gauged man to acknowledge his own error publicly, and all credit to a thinker for this. But the point is that in 1935, a man possessed of his intellectual gifts and standing so high in the academic world should disregard the abundant literature which, even by the thirties, had divested socialism of all claim to intellectual merit. By 1935, Ludwig von Mises' monumental *Socialism* had been available in German for thirteen years, and there were numerous books in English. When it is so hard to write a book for which one recants two decades later, and so easy not to write a book, what on earth persuades a man to indulge in such an effort?

Political passion, probably. The intellectual creed of our time is that while speculative thought, or knowledge for its own sake, might have been all right for the quiet times in history, the thinker in these revolutionary times must seek to guide the forces of revolution. In embracing this position the intellectual betrays himself, and abandons his indispensable

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

leavening role in society. The average man is thus left without proper guidance and must rub along by himself as best he can. Yet, if he scrabbles around hard enough, he can uncover contemporary works of an intellectual stature to do credit to any age.

Neglect of Economics

The characteristic intellectual of our time is above taking any interest in economics. He is, apparently, as prudish in his grasp of how economic goods are produced as was the worst Victorian prig on the subject of how babies are produced. Nevertheless, even our inauspicious age has witnessed the appearance of works on economics that take their place with the classics in the field. Mises' massive *Human Action* is one of these; Carl Snyder's *Capitalism the Creator* is another. If so many of the intellectuals of our time were not as immune as they appear to be to the basic facts of economics, the political insanities that bedevil us would shrink to man size. The bulk of our present political trouble stems from sheer, willful ignorance of the rules governing the production, distribution, and consumption of material goods. In no field is ignorance a self-curing disease; in economics, perhaps, least of all. There is no cure but the self-imposed discipline of hard study.

Libertarians, generally speaking, have given themselves a pretty fair grounding in basic economics. Their trouble is a tendency to double back on themselves, to get lost in self-contemplation and read nothing outside the narrow confines of their own orthodoxy. This is understandable, but not excusable. It is to follow the line of least resistance. No man has thoroughly explored even his own orthodoxy who has not examined every facet of it in the light of some heresy. To shield an orthodoxy behind a sterile moat is not to protect it; it is only to guarantee that it will die pure. A body of thought must grow or perish, and to grow it must be fertilized by the deliberate practice of exposing it to ideas which raise the blood pressure. What could be healthier, in the long run, than for the libertarian who feels he has his case well in hand to expose it for a few months to the mordant irony of Joseph Schumpeter's *Capitalism, Socialism and Democracy*? This might be one way to separate the men from the boys; there are others.

A Broader Perspective

Those who feel that all the irritation they want comes to them in the course of a normal day might not like the idea of deliberately rubbing themselves the wrong way. Indeed, the wiser course may be to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

start working with the general premises one already uses and then deliberately push them out so as to lengthen the perimeter of his frame of reference. Government is doing what it shouldn't do, the libertarian contends. Very well, but why this misplaced faith in political action at this particular juncture in human affairs? There is no better constructive analysis of the present predicament than Wilhelm Roepke's *The Social Crisis of Our Time*. An even broader perspective of the problem of man upon the earth is to be gained from two books by Gerald Heard, one old and one new: *The Third Morality* and *The Human Venture*. These books will stretch the mind out toward its potential horizons.

Crucial Questions

Having gone thus far, one can no longer postpone a real facing up to the problems which constitute the traditional issues of philosophy, such as, What is the universe like? What is the place of man in it? How do we obtain knowledge? What is good? These are some of the most complex questions a man can ask. Their very abstractness is forbidding to some minds whose bent lies in a different direction. Nevertheless, these questions must be wrestled with. But the books which wrestle most successfully might as well be written in a foreign language, so far as the uninitiated is concerned. His first impulse is to push them aside with an impatient gesture. A morsel which delights the gourmet's educated palate may repel the man who knows only mashed potatoes and vanilla ice cream. For example, open up C. D. Broad's *The Mind and Its Place in Nature*. This is a book, Aldous Huxley has said, "which for subtlety and exhaustiveness of analysis and limpid clarity of exposition takes rank among the masterpieces of modern philosophical literature." So speaks the connoisseur. But one needs a fairly comprehensive acquaintance with the landscape and terminology of philosophy before tackling such a book as this.

For the man who wants to walk in on the ground floor and get his orientation in philosophy, there is no book to equal C. E. M. Joad's *Guide to Philosophy*. Although Joad did not achieve top rank, even among modern philosophers, he is far and away the most lucid of the tribe. Nevertheless, even this book will keep the mind on tiptoes as it provides a guided tour through the major problems and systems of philosophy. With this in hand, one may go on to Joad's *Matter, Life and Value*, a long and comprehensive exposition of Joad's own system which endeavors not to slight any facet of this universe—either

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the world of material nature, the domain of life and mind, or the realm of value.

Ethical questions occupy a prominent place in libertarian discussions of economics and politics, but the implications of the ethical premises are seldom explored. They are thoroughly investigated from every angle in a modern classic, *The Faith of a Moralist* by A. E. Taylor of Edinburgh. This huge work will amply repay the hard work it requires. It is a wise book, beautifully written, completely free of technical jargon. Taylor, incidentally, is one of the few moralists who has acquainted himself with the subjective evaluation theory which plays so important a role in free market economics, and who understands that this theory does not necessarily commit the believer to a denial of the proposition that values have objective reality.

Processes of Growth

We live in an age of digests, popularizations, and simplified versions. There are people who want Plato explained in a paragraph, when even the master himself took a score of volumes without exhausting his subject. But even if the conclusions of a philosopher could be summarized in a few sentences, which is dubious, the more important thing is the processes of thought by which the man reached his conclusions. It is only by long exposure to these processes that the mind of the average man is enlivened, his habitual outlook and attitudes reoriented, his thought disciplined, his stance corrected. These are processes of growth; there is no substitute for them, and growth takes time.

When a man undertakes a well-considered program of study, he grows in knowledge and understanding. But in addition, the program pays him an extra dividend—his life takes on new meanings. He can say, with Matthew Arnold, "One must, I think, be struck more and more the longer one lives, to find how much in our present society a man's life of each day depends for its solidity and value upon whether he reads during that day, and far more still on what he reads during it." • • •

Wouldn't want you to miss THE FREEDOM SCHOOL—
enrollment applications now being accepted.
Write: THE FREEDOM SCHOOL, BOX 165, COLORADO SPRINGS, COLORADO

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

EDITOR'S NOTE: *In a transmittal note, the Reverend Mr. Mahaffy, who has served since 1945 as a missionary of the Orthodox Presbyterian Church in Eritrea, East Africa, explains that his views about social security have grown out of a long correspondence with a group of ministers.*

"Most of us have been trained in theology," he says, "but have given very little thought to the relationship of God's law to the Welfare State. It is my conviction that only as ministers realize that these problems are basically questions of Christian morals, will they give enthusiastic leadership to help guard our God-given freedoms. I have written this article in the form of an Open Letter to Fellow Clergymen in the hope that it will contribute to that end."

A Clergyman's Security

FRANCIS E. MAHAFFY

BY next April those of us who have not already entered the federal social security scheme will have to decide whether or not to enter it. The decision once made is irrevocable. Most of our parishioners have no choice. They are forced by law to enter the plan. Ministers who have not yet entered the plan have until April to decide whether or not they will participate. Clergymen near retirement age will probably gain financially by entering. Others with large families feel that social security provides good insurance for their wives and children – an insurance that they may not be able to afford otherwise on their small salaries.

It seems evident that from the standpoint of sound economics, appearances of getting something for nothing to the contrary notwithstanding, social security is bound to be a poor investment. Other forms of investment bring far better returns from the simple fact that the money is being used creatively and realizes a profit. The taxes paid to the government as social security taxes, on the other hand, are currently spent and not invested profitably. Economists, however, can demonstrate the financial unsoundness of social security as an investment far better than I can.[1]

To clergymen whose field is theology and not economics, the question arises as to whether there are any other criteria by which we can decide whether or not to enter

[1]See Paul L. Poirot's booklet, *Social Security*. Irvington-on-Hudson, N. Y., Foundation for Economic Education, Inc. Single copy on request.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

this plan. Is the matter in any way related to morals? Is it related in any way to the laws of God? If the issues involved are moral ones, then we, as clergymen, ought to be able not only to decide for ourselves but also to give leadership to others who look to us for guidance in the realm of morals.

In the brief compass of this letter I can touch upon only a few of the ways in which the social security scheme violates the moral law of God. The moral law of God is succinctly summarized in the Ten Commandments. The Christian belief is that disobedience to these commands of God constitutes sin.

"Thou Shalt Not Kill"

One of the Commandments in God's moral law states, "Thou shalt not kill." Are we not agreed that this command forbids not only overt acts of murder but all coercion and violence except for the restraint of evil? I once had the unhappy experience of being robbed by a group of armed bandits. When argument failed and the gun of one of the bandits was waved at my head amidst threats to myself and family, I met their demands and parted with the little money I had on hand. These particular bandits were probably men of less material possessions than myself and their act of violence made for a greater equality in our status. But even so, did that justify their act? All of us would agree that it did not. But is there any difference from the point of view of morality, in the government, under the cloak of legislation, forcing its citizens to pay social security taxes in order to help provide for the aged? Is this act of coercion on the part of the government any less a violation of the command of God than the above act of the bandits?

The government through its social security legislation uses force as a means to its ends. Can coercion on the part of the government except for the purpose of restraining evil ever be countenanced by the Christian citizen as in accord with God's law? Compulsory taxation by the government for any other reason than to obtain funds for the proper function of government cannot be sanctioned as in accord with the moral law.

The government also through this legislation uses compulsion to retire people at the age of sixty-five. It would be hard for the most enthusiastic advocate of the Welfare State to justify such compulsion as in any way in accord with the moral law of God. The prohibitions of the moral law as it relates to man's relationship with man gives the individual freedom except to harm or do evil to others.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Coercion to retire at a certain age and compulsion to support so-called "charity" schemes of government are quite opposed to the command that forbids the use of force except to restrain evil.

"Thou Shalt Not Steal"

Another one of God's commands in the moral law reads, "Thou shalt not steal." Stealing is in violation of the moral law whether done by a bandit with a gun or by the State under the cloak of legislation. Stealing is no less theft if the money is used for benevolent purposes than if it is used for evil purposes. The social security tax is a way of taking money from one taxpayer in order to give it to another person or group. It is the robbing of Peter to pay Paul.

Our Lord gives us a fuller application of this Commandment in His parable of the talents (Matthew 25:14-30). Here Jesus teaches thrift and a wise use of money. It is a sin for one to waste, destroy, or not to make good use of his material possessions. The law of God, however, is just as mandatory for the State as for the individual. The taxes collected for social security are being currently spent by the government rather than invested to bring a profitable return. This is certainly poor stewardship. The State has no more right to be careless with public funds than the individual does with his own money.

The government under the social security legislation assumes financial obligations for those retired over sixty-five years of age. The funds collected for this purpose fall far short of the amount the government is obligated to pay. The government, however, can and does meet its obligations by its monetary policies that inflate the currency. So while actually paying the number of dollars promised, the real value of the dollars is so reduced that the recipient receives far less than he had reason to expect from the promise of the government. Can this in any way be justified on the basis of God's command, "Thou shalt not steal"?

"Honor Thy Parents"

Another one of God's commands in the moral law reads, "Honor thy father and thy mother that thy days may be long upon the land which the Lord thy God giveth thee." One can hardly properly fulfill this command by turning over the care of his aged parents to the State. There is none of the warmth of filial love and devotion in government "charity." Charity according to God's Word is always voluntary. Children are to care for their parents as an act of love and gratitude to them. The New Testament teaches that the Church

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

through its deacons is to care for those otherwise neglected. Nowhere in the Bible is charity looked upon as a work of the State. To turn this work over to the State is to deny to individuals and the Church their God-given responsibility and privilege to care for the needy.

A notion prevalent today even among clergymen is that since individuals are not as charitable as they should be, the State must by taxation and schemes of "charity" make up for this lack. History refutes the notion that "charity" of the State ever leads to anything but injustice and tyranny. Give the State the power to administer "charity" by force and you have taken the heart out of charity. Even worse than that, you are saying that the State is not subject to the law of God as individuals are. Charity is certainly a Christian obligation. However, the obligation that men have to their elders and others is one of love, respect, and voluntary assistance in times of material need. There is no such thing as charity by force.

The Morality of Social Security

The whole question of social security is in its very roots a moral one. The choice which faces us as clergymen ought not to be a difficult one to make. We are leaders in spiritual matters. Christian morality relates to every phase of man's life and also to the State. Do we not forfeit our right to speak on matters of morals if, when given the freedom of choice in a matter that involves obedience to the laws of God, we choose to disobey God for some hoped-for material reward or for some other reason? Let our voices be heard clearly against all sin, be it the sin of individuals directly or of individuals through their elected representatives in government. As for me, I feel that I must set an example of respect for the law of God by choosing to stay out of this government scheme that is opposed to God's law. • • •

Security

SECURITY! The keenest desire of those alive today! They ask for it from society and its plans. But the self-styled realists of this age have proved themselves incapable of giving it because they wish to put themselves in place of the Creator and make themselves arbiters of the plan of creation.

POPE PIUS XII, Christmas message, 1956

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

IF WE *Create* A MONSTER

E. W. DYKES

The California Council of Architects recently called for help in their battle against state architectural bureaus. Mr. Dykes, an architect from Canton, Ohio, responded to the request as follows:

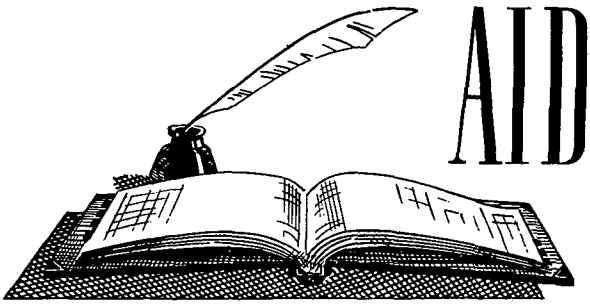
ARCHITECTS have had other opportunities to forestall such happenings but have muffed them. I recall not too long ago an urgent request for each of us to ask our congressmen to restore or add more funds to federal aid to hospitals. One of the American Institute of Architects conventions supported public housing. Many architectural publications, including our *A. I. A. Monthly Memo*, while they have not openly urged appropriations for this or that federal or state building program, have appeared to be very distressed when the funds were not made available. In some cases all sorts of gyrations have had to be performed to get a reasonable contract from government on building programs which it undertakes. To sum up, the general feeling has been, "We don't care who builds it or where the money comes from, just so they use private architects on terms suitable to us." This is shortsightedness.

When we help to create a monster, we should not be surprised when the monster tries to gobble us up. Unfortunately, regardless of the outcome of the issue in California, the monster will eventually get us. His appetite is insatiable. Our only out is to destroy the monster.

Now, lest I be misunderstood, there will always be some government requiring some government building. But a government limited in its functions to police action and little more would have precious little building to do – certainly not enough to worry the profession.

In the light of recent developments, one can hardly assert that the trend indicates any such retrenchment by the bureaucracy. And, of course, there will be none so long as the citizens demand the things which create the monster. In this, architects must play their part like all citizens. We must learn that these things are all cut from the same cloth. If we urge federal or state aid to housing, hospitals, and schools we can expect, in the long run, that government officials will take over architectural planning as well as these other fields we urge them to usurp. • • •

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



AID FOR UNCLE WILLIE

HUGH P. KING

UNCLE WILLIE passed on the other day – grand old guy. In his youth, he quickly worked up to top machinist in the railroad shops where he earned and saved quite a sum. He retired at 55 to go into the hardware business. "Always wanted a business of my own," he used to say.

Willie was one of the best-liked businessmen in town – "always good for a touch" for any worthwhile cause. He participated in almost every fund-raising drive that came along; he was a "pillar of the community."

Unfortunately, however, Willie never mastered the intricacies of accounting, bookkeeping, and purchasing. Big bargain sales were his specialty. And his prices were fantastically low. Before long, Willie was bankrupt.

His many good friends promptly bailed him out of this "temporary difficulty." But things seemed to go from bad to worse because, try as he would, Willie "just couldn't seem to get the hang of this accounting stuff." Soon he was in bankruptcy again, which might have spelled the end of Willie's enterprise and shopkeeping career. But a wealthy relative died and the legacy solved the problem for two years, during which Willie carried on the business in his usual grand style.

The day came when he couldn't borrow enough to get out of the hole. When the proceedings were over, poor Uncle Willie hadn't a dime to his name.

But Willie was still a master machinist. He could do anything with metal. The feats he performed time and again amazed even the topmost professionals. "It can't be fixed" was like waving a red flag before Uncle Willie. He'd take up that challenge and nearly always prove it wrong. When finally convinced that he couldn't make a go of the hardware business or any other because of his inability at figures, he went back to his old trade.

Emory Johnson hired him for his machine shop. He'd always liked Willie – same as the rest of us. But he couldn't have expected

Mr. King is an economist with the Chamber of Commerce of the United States.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

much to come of it, for Willie was nearly 60. Within a month or two, however, Johnson landed a big contract, and Willie was put in charge of all machine shop operations. Shortly, he was earning enough to sport the fanciest car in town.

Every once in awhile, I'd drop in for a chat with Uncle Willie.

"You know," he said, "all my life I wanted a business of my own, but when I actually got into it, it just didn't work out the way I thought it would. There were just so many things I'd never considered. Now I wouldn't want this to get around – lots of mighty fine folks would feel hurt – but you know, when I went bankrupt that first time, I think all those well-meaning people who helped me get started again would have done me a big favor if they hadn't. Know what I mean?"

I did. And I got to thinking that maybe the same thing is true of our foreign aid and many of our domestic "welfare" programs as was true with Uncle Willie. Maybe we're just the well-meaning people who are keeping some tottering governments in power, or keeping some personal failures from making necessary adjustments. Maybe everyone would be a lot better off if we let things take their natural course. Maybe one of the big problems is our misguided generosity. Know what I mean?

• • •

IDEAS ON LIBERTY

A Personal Responsibility

THE PROPONENTS of social control by the state collide as directly with the teachings of Christ as would two trains running toward each other upon the same track. Jesus was so uncompromising in his insistence that responsibility be placed upon the individual for both his personal life and for his attitude toward others that Jesus never suggested an institution of any kind that could take the place of such individual responsibility. Nor did He ever mention an institution or a power to which an individual could transfer such responsibility, either by acquiescence, force or plunder.

Nevertheless, this fatal temptation — the temptation to believe that functions which are spiritual can be transferred to the secular state because it possesses the necessary force and power to "get things done" — continues to confront both religious and social effort.

RUSSELL J. CLINCHY, *Charity: Biblical and Political*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Official ABUSE OF THE TAXING POWER

The office seeker tends to encourage voters to make demands which will enhance his power.

H. E. SPITSBERGEN

DISASTER always overtakes government engaged in business adventures or in taxation plans to eradicate economic hardships.

That is so because of the relationship of the government official to the tax money. He represents sovereignty and therefore is not financially responsible for his mistakes. The King can do no wrong. He obtains the tax money by compulsion. He is in a strategic position to spend such money for his own political, financial, and social advantage.

By abuse of majority rule he can dissipate the funds of the efficient, thrifty, and honest. He can block investigation under cover of "public necessity" and "military secrecy." He cannot be sued without his consent and, when sued, may avoid judgment by declaring that the court is without jurisdiction, on grounds of public policy. There is no way to make him financially responsible.

Obviously, to grant wide authority to spend tax money to a person who is covered with so many privileges, advantages, and immunities violates all the important moral and legal rules on which society depends. Society cannot survive when such rules are disregarded.

The government official is well aware of the rules. He enforces them most vigorously against bankers, insurance companies, trust companies, corporations, brokers, and guardians. In his "war" to prevent fraud by private concerns he often imposes restrictions on them which make it impossible to use the funds to the owner's advantage.

In tax disputes he is most unfair. He seizes the tax money before he comes to the court – a court presided over by a judge paid and appointed by the government and, therefore, in an awkward position

Mr. Spitsbergen, keen student of constitutional theory and practice, is the author of "Liberals" and the Constitution.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

to resist its policies. A taxpayer's chance for recovery is therefore at the minimum.

The money in the hands of a government official constitutes a most sacred trust. Nevertheless, without the consent of the taxpayer, it is invested in dubious undertakings without regard to the usual rules of what is moral or legal. Such a concept of a trust relationship is not one of integrity, nor is it sound business.

Undue Influence

The government official is in a strategic position. Undue influence, difficult to uncover, arises from his authority to grant and deny. He does not have to ask, promise, or even suggest favors. Favors will be pressed upon him over his protest. Moreover, his self-interest will make him astute in representing undue influence as heroic action to save the nation, or even the world.

He can readily reap benefits from wasteful programs. Office, security, and prestige may be gained by giving friends financial help. They, in turn, will make themselves believe that what they demand is absolutely necessary to promote public welfare. Human beings do not withstand such temptation. It breaks the strongest character, even in the area of religion.

Not Unfair Criticism

What has been said is not unfair criticism of integrity or intelligence. It recognizes the weakness of human beings, implied in every lock, ring, contract, charter, and constitution, as well as in the practice of honest men binding themselves with contracts, and of judges refusing to sit on cases in which they have a personal interest.

Unforeseeable consequences make it impracticable to hold a government official financially responsible. He could not pay for the damage caused by a court decision uprooting long-established customs, or for ill-advised legislation, or a misdirected war. Moreover, he would be afraid to act under such circumstances. Generally, therefore, even though the action be the high-water mark of blunder, false pride, or deceit, financial liability does not arise in his case. His immunity from liability is, of course, the basis for restricting his authority to the limited areas specified in the Constitution.

Power and responsibility must not be separated, and the one financially responsible must dictate policy. That is the basis for the Constitution's mandate to limit the taxing power, in order that tax money could be utilized only for the usual functions of government. The disregarded mandate proves

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

that the forefathers underestimated the craftiness of the human mind in search of power.

Ballot Not a Check on Corruption

Under the universal ballot the voting majority is often made up of the frustrated, the desperate, the disappointed, the hungry, the ignorant, the misinformed, the greedy, the lazy, and the unscrupulous, plus that great number of voters who depend on government for jobs, contracts, pensions, education, food, and shelter. Such voters, in connection with spending tax money for welfare purposes, should not be expected to exercise sound judgment.

Constitutional provisions restricted voting to the selection of representatives who were supposed to make decisions. Even the judgment of the representative was not trusted. The Constitution gives him a short term of office and, in addition, binds him by an oath to abide by and defend a plan of government which greatly curtails his taxing authority.

But all these curbs have been bypassed by misuse of the universal ballot. An office seeker depends on votes. He, therefore, grants what a majority demands. He does more. He skillfully encourages the voter to make demands which will enhance his power. The record shows that he follows such a course to collapse and revolution.

Limitations on Majority Rule

The government bases the tax policy for its welfare-state laws on the implied consent of the governed – majority rule. But a majority has no moral right to authorize the government to tax (compel) a minority, or an individual, to support others. Such procedure binds the taxpayer to the obligation that everyone shall have what is needed – an impossible task. That idea is the philosophy of communism and totalitarianism. It ushers in permanent destitution for those promised help.

War, a temporary status, presumably gives government authority to compel the citizen to surrender his property and life. But when such authority is used to dissolve economic hardships, the prerogative becomes a permanent one. Then everything the citizen has is constantly at the government's command. There will be neither time nor area in which he could be considered a free man. That abrogates the inalienable rights proclaimed by the Declaration of Independence and protected by the Constitution. To exchange such rights for a government's promise of security is to bargain for slavery. The government has no way to keep its promise.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Doctrine of Inalienable Rights

The doctrine of inalienable rights stressed property ownership. Such ownership, in its various phases, is the only way to avoid dependence on government for food and shelter. To be so beholden is the most degrading form of slavery. It brings the individual into subjection to unlimited power administered by a human being.

The citizen, therefore, is assumed to have rights which he cannot surrender and which the government cannot seize. They are the basis of his independence.

Nevertheless, in the name of majority rule, the government seized these rights. To redeem the world from poverty, it pledged the taxpayer to support the destitute. Under that government-imposed pledge, the inalienable right of security through property ownership is practically set aside. It denies the citizen the inalienable right to be independent of government for his food and shelter – to be secure through property ownership.

If such is an inalienable right, the government cannot by majority rule, or in any other manner, even in the name of "public welfare," modify it – compel citizens to be dependent on government for their bread and butter, or compel them to guarantee that to another.

When the Constitution was ratified, the citizens did not contemplate a tax program which could force them to become philanthropists or give government officials authority to invest or spend tax money as they now do.

The Most Disturbing Aspect

What is most disturbing is the great number of businessmen, clergymen, educators, judges, statesmen, and economists who, in their zeal for a Welfare State, follow the totalitarian or communist concept of implicit faith in government – government based on the judgment of one man, or a group of men. But no such faith in others!

Today men worship the Golden Calf of government by man. The original commandments of good government have been discarded.

IDEAS ON LIBERTY

A Pure Democracy

DEMOCRACIES have ever been spectacles of turbulence and contention; have ever been found incompatible with personal security or the rights of property; and have in general been as short in their lives as they have been violent in their deaths.

JAMES MADISON, *The Federalist*, No. 10

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE PLAGUE WE SPREAD

DOCTORS have come around to the idea that often the best way to heal an injury is to get the patient on his own two feet under his own power and let nature do the job. American foreign policy planners ought to take a good look at the theory. Coddling the patient certainly hasn't worked out for them.

Great Britain has just wangled a $1,300,000,000 loan from the International Monetary Fund, which gets most of its capital from the United States. Also, the British are about to get $81,600,000 more from Uncle Sam in interest they won't have to pay on wartime loans. All this is supposed to help pull Britain out of a very real economic disaster brought on by the Anglo-French adventure in Egypt.

No one in his right senses wants to see Britain collapse. Whatever must be done to bring our traditional Allies back to national strength should be done. It should mean something, however, that American dollars have been pouring into the British Isles to "shore up" the British economy ever since World War II – and Britain has grown progressively weaker. Not so many years ago, a little thing like the "Suez war" would scarcely have been noticed in the British exchequer. Evidently, permitting the British government to make indirect withholding levies on the wages of American workers has not cured what ails our friends.

The thing we have overlooked is that national strength creates wealth in any country, but in no country can outside wealth create national strength. Our foreign aid dollars have shielded weakness until the weakness has become almost permanent in many countries. We kept picking up the tabs for socialistic experiments in Great Britain. We paid the bills for British preparedness while the British, not needing to worry about where the money was coming from, went about nationalizing industries, providing cradle-to-grave "social security" and generally moving toward collectivism. We never gave them a chance to get a good look at the results. Our dollars made it seem that everything was just dandy.

It was the same, and it is still the same, in more than a score of other countries. Fatheaded leaders

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

have taken their peoples far down the withering road of socialism, and the people can't see the failure of their systems because they are propped up by American dollars. They can't see their own economic disease because its symptoms are hidden behind an American checkbook.

Germany's complete recovery from what seemed like total destruction in World War II is no accident. The Germans had their fill of socialistic measures under Hitler. When he was gone, they set to work on the capitalistic pattern, with private initiative and enterprise as their themes. They had the biggest job of reconstruction to do, and because it was so enormous, they chose the most efficient way to do the job. Today their economy is the strongest in Europe. That, too, ought to mean something.

What it means is that the rotten systems of Europe will continue to breed economic and social disease until the peoples of Europe can get a clear look at their own weaknesses. They will never do it until American dollars quit making unworkable systems look as though they're working. It's long past time to put the patient on his feet, so he may know that only his own strength will cure him.

Uncle Sam's continued handouts to smugly bedridden nations can only mean complete paralysis in the end. • • •

Editorial from the *Indianapolis Star*, December 15, 1956.

IDEAS ON LIBERTY

But Is It Help?

LET IT BE BORNE IN MIND that the worthy are to be helped, and the unworthy are to be cured. Let it also be recollected that the worthy poor almost never beg, and that out of every thousand beggars infesting the streets and visiting the houses of cities, probably not more than one is a proper subject for alms. All this may sound very harsh to those good souls who say to themselves that, having the comforts of life, it would be wicked in them to refuse a dime to a brother man who is in want, and who also say that it were better to help nine unworthy than suffer one worthy to go unhelped. But is it "help"? The gist of the question lies there. If a man prefer begging to work, and you keep him from work and at begging, are you "helping" that man? Are you not injuring that man and the whole community?

CHARLES F. DEEMS, "Street-Begging"
From *The North American Review*, January 1883

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

WHY WAGES RISE:

12. RIDING THE WAVES OF BUSINESS

F. A. HARPER

In the previous article, the problem of pricing one's work was discussed. It was shown that wages are a price, subject to all the influences and characteristics that affect any other price.

Price has an important function to perform. It equates the wanting of things with the supplying of things. The two are in balance only at the free market price. Any other price, either higher or lower, causes a surplus or a shortage; it reduces trade; it penalizes economic welfare. And if the price of work is too high, it causes a labor surplus —"unemployment."

The number of jobs available is highly responsive to wage changes. Apparently a rise of wages by only one per cent above the free market level causes as much as 3 per cent unemployment.

In this, the final article in this series, our economic experiences of the past in the United States will be reviewed. In the light of these wage principles, what has been our experience in pricing work in the market place for jobs?

WHEN one first thinks about the price for work as having a three-times power over employment, it may seem hard to believe.

Looking at only one job, it would seem to be filled or not filled completely. So what does it mean to say that a rise in the wage rate by one per cent causes a 3 per cent layoff of workers? But for the country as a whole it works out that way. New jobs of all sorts are found when wages go down. But when wages go up beyond the free market point, some jobs close down completely and others close down part of the time.

To see how this works, one must look at an entire economy like a nation and not to one little spot, like only one job. He must look at the entire market of jobs available at the different prices.

That is what students of the subject, like Douglas and Pigou, have done for us in their studies. Both of these authorities found that each one per cent higher wage, from the point of a free market wage, will disemploy 3 per cent or more of the workers.[1]

---

[1]Technically, this is an elasticity of demand for labor of −3.0, or a little more. For reference sources, see "Why Wages Rise: 11. Pricing an Hour of Work," *The Freeman*, January 1957. p. 19.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Wages and Total Income

Even a child knows that the higher his wage the more will be his income – except that it isn't so. This would be true only if one could keep his job at the higher wage. If it were true that I could keep my job anyway, then an infinite wage would seem to be the ideal. The trouble is, however, that jobs are lost three times as fast as wages are raised.

This being true, the highest income is found at full employment.

Let us now assume that I change my wage and take the changing employment at my own job. As I raise wages above the free market point, I do not lose my job completely; but I will have to take my share of the loss of work that comes from an excessive wage. As my wage goes up, my job will have to be shortened more and more, by the proportion Douglas and Pigou found to apply.

If we assume that I work 1,800 hours in a year at $2.00 an hour, this is the way my income would work out:

Wage rate	*Approximate hours of work*	*Yearly income*
$2.00*	1,800	$3,600
2.20	1,350	2,970
2.40	1,044	2,506
2.60	828	2,153
2.80	666	1,865
3.00	540	1,620

*The free market wage

So my income for the year declines as wages rise above the free market point, for the simple reason that the work I lose more than offsets the gain in rate per hour. For instance, in the rise from $2.00 to $2.20 there is a loss of 450 hours of work at $2.00 ($900 loss); this exceeds the gain of 20 cents an hour on the 1,350 hours ($270 gain). So the net loss is $630 for the year.

Experience with Unemployment

How has this idea worked out in actual experience?

One cannot know the actual free market wage for a nation, of course. There are innumerable jobs and innumerable skills. There is really a free market wage for each person, and therefore millions of free market wage rates for different persons and different jobs.

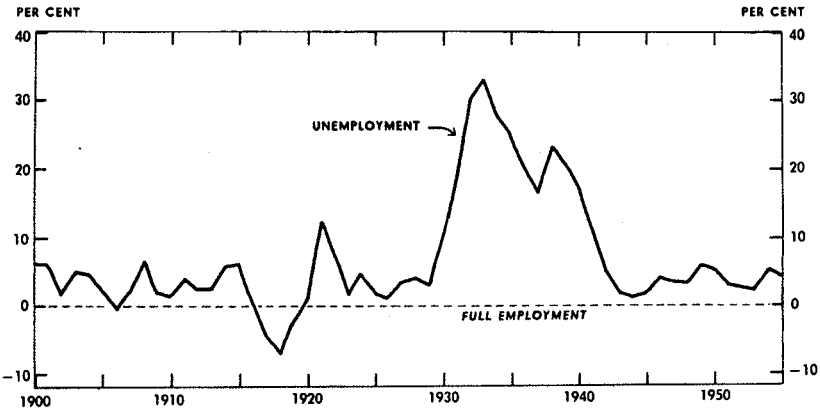
Perhaps the best way to see how wage rates compare with the free market rate is to measure the surplus of labor unsold in the labor market. In other words, despite all the faults in such a statistic and all the perplexing problems of arriving at a figure, the number of persons unemployed is probably the best reflection of excessive wage rates.

During the first three decades of this century, unemployment seldom was more than a few per cent of the numbers at work (see

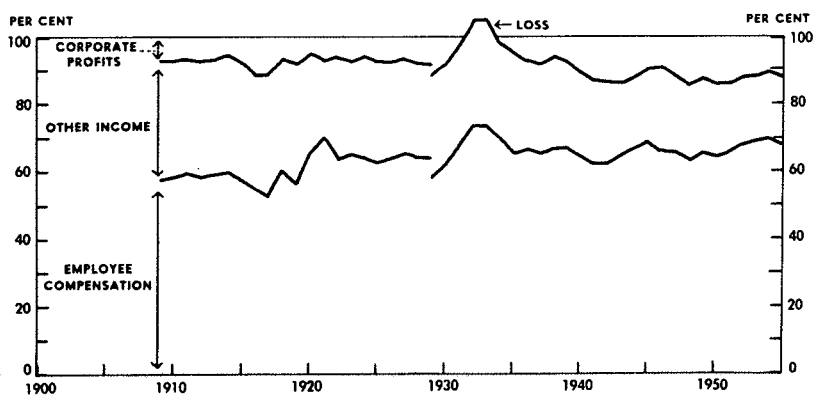
LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

UNEMPLOYMENT

As Percentage of Employed Persons



SHARES OF NATIONAL INCOME*



SOURCE: United States Department of Commerce; *The Economic Almanac*, National Industrial Conference Board; *Economic Report of the President*, January 1956.

*The earlier series was discontinued in 1929, and replaced with the new series of the *National Income Supplement, Survey of Current Business.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

chart). It was usually no more than those persons moving from job to job, or temporarily out of work for some reason other than lack of an available job. The year 1920 was one clear exception, at the time of the postwar collapse in prices. Nor has there been more than the so-called normal unemployment during the years since World War II. In both these periods, then, wages were apparently in line with the free market almost constantly. If they got out of line, adjustment was so rapid that unemployment never became a sustained problem to any extent or for long.

From 1930 to 1941, on the other hand, unemployment rose to a tremendous height – to as much as one-third of the number employed, at the peak in 1933. This indicates that there was a serious overpricing of wage rates during the 1930's.

Wages need not be far out of line on a percentage basis to cause even that degree of unemployment, however. On the basis of the three-to-one leverage, for instance, a wage rate only about 10 per cent too high could have caused that much unemployment.

The Danger of Controlled Wages

It is clear from this evidence that the conclusions of Douglas and Pigou as to the elasticity of wages found confirmation in the tragic experience of the 1930's. It also shows that those who play with wage rates at the bargaining tables are toying with dynamite, not only as it endangers the worker's job but also his yearly income.

It is clear, too, that those who play politically with wage controls are also playing with dynamite. The bitter experience of the thirties illustrates their chronic tendency to play their hand upside down, to the disadvantage of the presumed beneficiaries. Believing that nobody could want his income reduced, they use their power to the full to prevent wage rates from dropping. And the "buying power" theory comes to their assistance at such times, by which it is argued that incomes must be kept up if consumers are to be enabled to buy back the things they have produced.

But keeping income up is not the same as keeping wages up, as we have seen. Incomes move down as wages move up from the free market point.

Why Depressions Disrupt

What happens, then, under conditions like those of the early thirties? At the outset, for reasons we shall bypass here by merely saying that the trouble begins with "monetary causes," the money supply starts to shrink. This causes

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

prices to decline, because less money leads to less price. If absolutely every form of price were to drop by the same amount, no serious harm would be done. Everything would then retain the same relationship as before to everything else, and business would go on about as usual except for the task of changing price tags on things, and such as that.

But prices do not all decline by the same amount. Our concern here is with wages, which fail to drop along with other things. Since they comprise three-fourths of total personal incomes, the serious effect of excessive wages becomes extremely great on the economy as a whole.

Wages are to a considerable extent under future contract. Even without a contract, wage reductions are resisted strongly, even though with lower prices the lower wage would buy as much as before.

A wage that is supported at its former level when other prices are declining is the same as a wage increase when other prices are remaining the same. And so in a depression like that of the thirties, supporting wages at their old level puts them above the free market level, just as if they had been pushed upward arbitrarily when prices were stable. The result is unemployment – three-to-one unemployment.

Politicians and business executives also arrive on the stage at about this time to lend their "help." They also try to hold wages up. This is precisely the wrong thing to do. It merely makes matters worse, like doing something to maintain the blood pressure of a person with high blood pressure.

All in all, "help" at such times is dangerous. Controlling wages amounts to threatening the life of the patient, who would quickly recover as he always has done in the past when left to resolve his own problems – if he is free to continue to work at the best price a free market will offer him.

Profits and Unemployment

In his surplus value theory, Karl Marx maintained that profits infringed on the welfare of the worker and should be reduced to zero.[2] The conflict between this theory and the truth, as shown by experience, is revealed by the chart on unemployment and shares of the national income.

In two of these years the surplus value objective was attained, so far as corporate profits are concerned. And in those years the number of persons unemployed rose to a third of the number employed. This was a high price to pay for an extra wage rate of 10

[2]See "Why Wages Rise: 3. Dividing the Pie," *The Freeman*, May 1956. pp. 27-32.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

per cent – or whatever the figure was – as an average for those fortunate enough to have work. The price was especially high for those without work.

The agreement between changes in profits and changes in employment is not exact, of course. But the similarity in a general way is clear. It definitely disproves the surplus value theory. Not only is the theory wrong, it is precisely upside down – at least when wage rates are pressing profits toward total disappearance, as in the 1930's.

Sweeps of the Business Cycle

The notion persists that business swings upward and downward with more or less regularity, and that this is inherent or inevitable under private enterprise. It is also believed that these swings have been getting worse and worse as we have proceeded into a complex economy since the industrial revolution.

This latter notion is a favorite argument of persons bent on socializing this nation, especially those of political inclination. They say that as our economy becomes more complex – more integrated, more urbanized, more specialized – more and more of it must pass from personal ownership and control and be brought under the wing of the government. The reasoning sounds impressive, because the increasing complexity of our economy is perplexing to anyone who tries to see it all at once. But is it a fact?

The chart showing instability of business indicates this to be untrue over the history of the nation. But first a word of explanation about the design of the chart.

The base line of zero indicates a point of no deviations of business from the upward trend of increasing output – more people and more productivity, over the years. Zero represents unwavering stability, with business running smoothly along the trend of its growth.

The percentages above zero, rising vertically up the scale, represent increasing instability of business. These are the percentages by which business fluctuated around the trend – either above or below the trend, with both considered to be unstable by this measure.

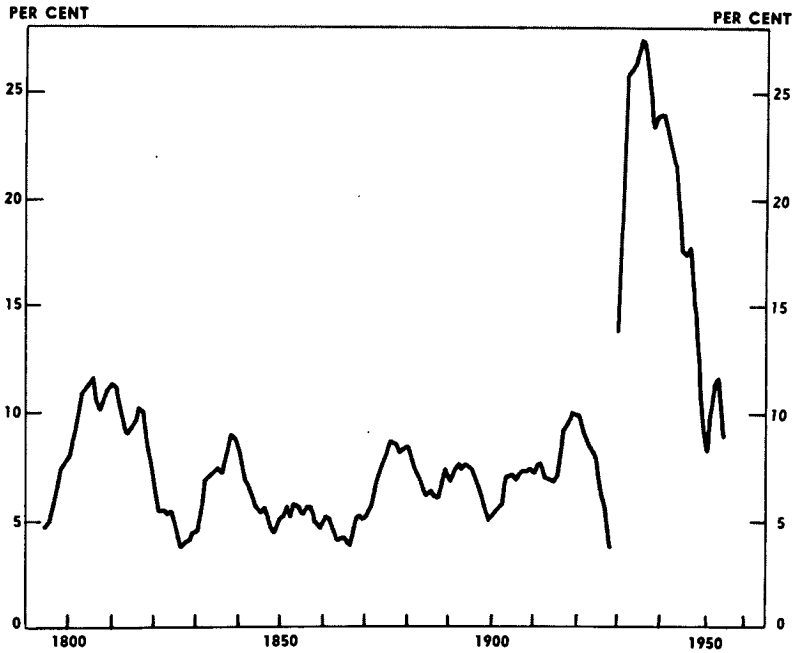
A completely stable business would, then, run along the zero line. At 2 per cent there would be indicated fluctuations in business with a divergence from the trend averaging 2 per cent. And at 4 per cent, twice the average divergence of the 2 per cent point. And on up the scale.

From 1795 to 1928 the average instability was 7 per cent. This means that for the entire period a

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

INSTABILITY OF BUSINESS

Moving Average of Variants from Trend
(0=No Deviations from Trend)



SOURCE: Derived from the monthly figures on business activity, The Cleveland Trust Company.

best guess of the level of business in any month would be 7 per cent away from the trend, either above the trend or below it.

The Myth of Instability

In general, over the period there was no distinct increase in the instability of business. There were recurrent depressions and booms, but these were quickly corrected – short-lived, in almost all instances. If anything, business over this century and one-third was becoming more stable rather than less stable; this was certainly true up to the middle nineteenth century. And except for the effects of World War I, there was no evidence of an increasing insta-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

bility of business even up to the depression of the 1930's.

Then came the Great Depression. A break in the line was made in 1929 because of the violent change in stability before and after that date, making it seem wise to treat the data as two separate series.

Instability of business since 1929, and continuing even up to the present, is something unprecedented in our history. This instability of the last quarter century certainly cannot be called, correctly, a continuation of any long-time upward trend in business fluctuations under our increasing industrialization of the past century. It is something distinct and suddenly new in our economy – a degree of instability above anything we have ever before known in this country.

It is necessary, then, to conclude that the argument about the increasing instability of business is a creation of the imagination or of socialistic invention. Being untrue, it is certainly not a reason for more and more controls over our business affairs. As has been pointed out, controls seem to have done precisely the wrong thing. They have unstabilized business and caused unemployment rather than stabilizing it. It would seem that the controllers know what not to do and put it into practice – rather than what to do at such times.

Business will undoubtedly continue to fluctuate in some degree in the future, controls or no controls. We can expect that. The problem is to adjust as quickly as possible to these changes in conditions, to whatever extent they are beyond our ability to foresee and to prevent.

Cycles Not All Bad

Not all fluctuations in business are undesirable, to be prevented if possible. Take housebuilding, for instance. I have built only one house in my life; and had I continued to live there, I should probably never want to build another. The building of it took about half a year. The result was about as intense fluctuation in my building activity as you could imagine – an intense activity for six months, preceded and followed by building activity at zero so far as I was concerned. I had only one cycle in my building, and then it was all over.

Were a business statistician to study my economic affairs, he would find my housebuilding to be tragically unstable. Suppose he then teamed up with some politician bent on stabilizing business for the general welfare. How would he be able to do it? He would have to determine in advance the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

probable length of time I would want a house – say fifty years – and then force me to build one-fiftieth of my house in each of those years. That is the only way stability in my housebuilding could be accomplished.

The Human Factor

But being human, I am concerned with my own general welfare, too. As one among supposedly free people exercising economic choices, I don't want to stabilize my housebuilding. There comes a day when I finally decide that I want a house and can afford to build one. I get some help and go ahead with the job as quickly as I can; then it is done. I don't want to be forced to build the house before I want it, and I don't want to be forced to build another one later that I don't want – merely to stabilize some statistic.

And you, I dare say, feel the same about building your house. And so does everyone else.

If as a consequence fewer people want to build houses this year than last year, what is wrong with that? The statistic for the nation is unequal, to be sure, as between the two years. What is to be done about that? Should some people have been prevented last year from building houses that they wanted to build, that they had money saved with which to build, and when building employees and available materials were ready for the job to be done? Or should some persons this year be forced to build houses they do not want, just because the statistic is declining?

This sort of business fluctuation runs all through our daily lives. There is a violent fluctuation, for instance, in the harvest of strawberries at different times during the year. Should we grow enough strawberries in greenhouses so as to stabilize that part of our economy throughout the year?

Sales of toys and Christmas decorations are quite unstable, too. Should we make people buy them equally throughout the year, so as to stabilize production?

Weddings and the sale of affiliated goods and services are highly unstable during the year, and over the years. And so are the sales of baby carriages. Should we stabilize all these month by month and year by year? How?

Remove the Prohibitions

My own conclusion is that we should not worry about all such fluctuations in business at all. We should worry only about those fluctuations which are due to prohibitions on the rights of each person to work at a job of his choice – either for himself or for an employer who wants his labor – at a wage mutually satisfactory be-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tween them. We should worry only about prohibitions on the spending of his income for what he wants most, among things offered by others who have produced them from their own labors.

If we do this, business fluctuations will be reduced to whatever fluctuation people want – not being forced to build houses when they don't want them, or being forced to get married when they don't want to. Wages would then be as high and would rise as rapidly as is possible. Leisure, to the extent one can afford it and wants it, would then be chosen as each person so desires. These conditions would give the maximum of welfare possible for us to attain at any time. It would be as near a utopia as can be hoped for in economic affairs this side of Heaven.

• • •

Why Wages Rise

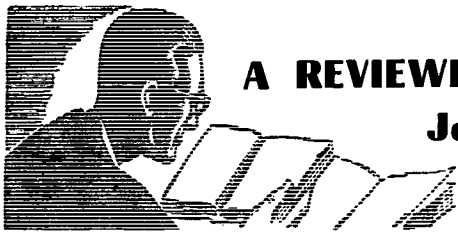
DR. HARPER'S series of articles — concluded in this issue of *The Freeman* — is now available as a book of 124 pages, including tables, charts, and a comprehensive index, all in large clear type. See next page for John Chamberlain's review of the book in which everyone has an interest, *Why Wages Rise*. Single copy, $1.50; 10 for $10.00; prices for other quantities on request.

THE TWELVE CHAPTERS ARE:

1. Labor Unions
2. Productivity
3. Dividing the Pie
4. Tools To Harness Energy
5. Doing What You Can Do Best
6. The Lubricant for Exchange
7. Contracting for Progress
8. The Cost of Being Governed
9. Losing Wages Through Fringe Benefits
10. Leisure and the Better Life
11. Pricing an Hour of Work
12. Riding the Waves of Business

The Foundation for Economic Education, Irvington-on-Hudson, N. Y.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



A REVIEWER'S NOTEBOOK

John Chamberlain

THE NEWS in F. A. Harper's lucid *Why Wages Rise* (Foundation for Economic Education, 124 pp., $1.50, paper) is that we've all been had. Virtually every class, group, and individual in America has been listening to bad advice and following false leaders. The result is that, prosperous though we are, we are nowhere near as prosperous as we might be.

The bad advice is that the way to get ahead is to work less for more money. Though individuals may obviously better themselves by forcing this prescription on somebody, it can't work for the totality of all of us. The reason is that wages are paid out of production, and it is obviously impossible for an economic system to pay out more than it can produce. If everybody were to work less, there would inevitably be less to go around.

Well, then, so the unconvinced worker might say, let wages rise at the expense of dividends. But this doesn't work out either. For the truth is that it is tools that make the worker's productivity – and it takes dividends to create the tools. Without dividends – or rewards for saving – nobody would bother to put his money into tools. That would leave the worker at the mercy of a low-grade economic system, and there wouldn't be much coming out of it to pay him his wages.

Dr. Harper, in some marvelously clear prose, rams home his basic theory of wages, and there is no gainsaying him. First, he proves his points with logic. Then, for the benefit of those who may suspect a trick in logical discourse, he proves his points all over again by a use of comparative statistics.

Unions and Wages

Do you believe, for example, that unions have caused wages to rise? If this were true, the real wage should have risen hardly at all in the period stretching from the Civil War to 1900. During this half century, union membership was negligible. The fact is, however, that during this period real wages (pay measured in terms of actual purchasing power) doubled. They continued to rise with amazing consistency during the next

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

half century, both in times of intense union activity and in times when unions were having hard sledding. Looking at his charts, Dr. Harper comes up with a sage observation: "The evidence would be that rising wages cause union membership to rise, not vice versa." If this suggestion is true, then the labor leaders of America have been getting a free ride. They have been taking credit for something that has been as inexorable as the rising of the sun, and have been singing out like so many chanticleers.

But if wages have risen inexorably during the past century with the fivefold increase in the individual's hourly economic output, it might be argued that the chanticleer pretensions of the union leaders are harmless. Chanticleer's singing has no effect on the sun either way, so why not let him enjoy himself?

Fringe "Benefits"

The trouble is, says Dr. Harper, that the labor chanticleer, unlike the rooster of fable, is in a position to exact tribute. He hasn't been able to stop productivity from rising – at least, not yet. But, just to make himself seem indispensable, he has cooked up the idea of "fringe benefits." He has written all sorts of insurance and medical and pension gadgets into union contracts. Sometimes these work out well for individual workers, but the point is that they are a form of wage increase that doesn't go uniformly to every worker. The man who doesn't get sick, or who quits his job before retirement age, is gypped out of some money he would have received if the "fringe benefit" had actually been a general pay rise. Thus what is one man's "fringe benefit" is likely to be another man's "fringe detriment."

Unemployment

There is also the possibility that chanticleer, by singing real loud, may bluff the employer into paying an uneconomic wage. Dr. Harper proves that if the price of labor is set too high, unemployment must be the inevitable result. Simply because Dr. Harper's charts are so clear on the point, I would doubt very much that chanticleer has actually succeeded in bluffing many employers in the past century. (If large unions are a *consequence* of high wages, they can't also be the *cause*.) But where unions have kept wages from falling in bad times to the point where it would be economically profitable to employ everybody, they have undoubtedly helped to prolong depressions. And when wage rates remain stickily high in depressed periods, they provoke

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

monetary inflation as a means of getting prices into profitable alignment with the wage scale.

Another reason why the labor chanticleer is not as harmless as the rooster of fable is that his cocky crowing misleads people about the role of the investor. Chanticleer insists that the increment from increased hourly productivity should go to his men. But, as Dr. Harper says, it is "teamwork between those who save and those who use the tools" that is the "reason for our high and rising wage rates." The intelligent labor leader would endeavor to make it clear to his followers that to attack savings and investment is tantamount to saying that the worker has no interest in increasing the efficiency of the tools at his disposal. But chanticleer rarely goes out of his way to praise the investor.

Instead, chanticleer is often to be heard singing a siren song that if dividends to private investors aren't sufficient to bring new tools into being, then the government can step in and create the tools. But government can hardly create the tools out of nothing; it would have to tax everybody to get enough to make up for the deficiencies of the private investor.

The trust which chanticleer reposes in government has been endorsed by his followers, who are, of course, footing the bill for it. Dr. Harper has assembled some interesting statistics on this point. Before the Civil War, he says, the cost of being governed took three minutes out of every hour of work. Today, the cost has risen to nineteen minutes out of every hour.

During the past half century alone the cost of government has taken almost half – or 48 per cent – of the increased productive capacity of an hour of work. If tool users and tool owners had only been permitted to share that 48 per cent, think how much richer we would all be!

It may be argued that the government spends for us what we might otherwise be spending for ourselves, but this is another case of the "fringe benefit" turning into a "fringe detriment" for those who don't fancy the government's choice of what constitutes a benefit to the individual.

Wages Are a Price

Dr. Harper is careful to say that he doesn't consider "labor" – meaning the worker – to be a commodity. Nevertheless, what the worker sells in the market place is subject to economic laws. Workers taken as a totality can't sell their skills and muscle for more than is produced. And the man who saves money to invest in tools must be cut in on the produce of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the system or he will go on strike, to the ultimate detriment of labor.

Because "wages are a price," they should be allowed to find their level in a free market. Says Dr. Harper, "There is a point of equality at the free market price where the supply of labor and the demand for labor find a balance." Any attempt to force the price above the market must create a surplus of labor; conversely, any attempt to depress the price below the market must create a shortage.

All in all, Dr. Harper has written a most persuasive book. It is good because it eschews the gabble of fashionably "difficult" economics and gets down to first principles. If it has a shortcoming, it is in its failure to discuss the connection between uneconomic wages and the spread of automation. By keeping the wage price too high in periods of falling profits, unions must be agents in forcing the pace of investment in labor-saving machinery. Dr. Harper has not assessed the role of the uneconomic wage in bringing into being a type of machinery that enables a manufacturer to get by with fewer men. One would like to see the implications of this explored by a mind as lucid as that of Dr. Harper.

Reprints of this review available:
10 copies for $1.00; 100 copies for $6.00.

Involuntary Participation in Unionism.

By Philip D. Bradley. Washington: American Enterprise Association, Inc. 47 pp. $1.00.

"Involuntary participation in unionism" is a polite way of referring to the closed shop. And Dr. Bradley politely asks how come the closed shop has gained such wide acceptance under the Wagner Act, inasmuch as Senator Wagner himself had testified that "the terms of the bill do not compel or even encourage a man to join any union."

Dr. Bradley, formerly a professor of Economics at Harvard, traces the growth of compulsory unionism in large measure to union-initiated complaints against "free riders." The argument runs that unions obtain economic benefits, that members and nonmembers alike enjoy these alleged benefits, and that nonmembers ought to be made to share the costs of acquiring them. These propositions have seemed so persuasive that the general public as well as legislators and judges have come to believe them.

The trouble, concludes Dr. Bradley after scholarly examination of the facts, is that unions have

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

neither raised the general level of real wages in the United States nor increased labor's share in the national income. The economic benefits presumably obtained by unions are primarily attributable to other causes. Much of what union leaders claim to have gained from the companies has actually been taken out of what otherwise would have been in the worker's pay envelope. These facts and conclusions are well supported by the independent studies undertaken and reported by Dr. F. A. Harper in the FREEMAN series of articles on "Why Wages Rise."

In some detail, Dr. Bradley examines various union claims to have raised the level of real wages for its members "above that which would have prevailed in the Union's absence." In the case of the Photo Engraver's Union, high wages were maintained throughout the depression. But for a time only 16 per cent of the members were fully employed, and their earnings were subject to a 20 per cent union assessment to help those deprived of employment by the arbitrary wage level.

All told, the argument for the closed shop as a curb on "free riders" is simply another attempt at totalitarianism. And this well-documented exposé deserves the thoughtful attention of all who prefer a free society.

PAUL L. POIROT

Any book reviewed in this Book Section (or any other current book) supplied by return mail. You pay only the bookstore price. We pay the postage anywhere in the world. Catalogue on request.

THE BOOKMAILER, Box 101, New York 16

A BINDER for your FREEMAN

Holds 12 issues; **$2.25 postpaid**

Also available, a 15-blade binder containing the 12 issues of *The Freeman* for 1956 and 3 issues of *Ideas on Liberty*, plus index. **$6.25 postpaid**

FOUNDATION FOR ECONOMIC EDUCATION
Irvington-on-Hudson New York

NOW and FOREVER

A ROMANY tiled room is so expressive of rich quality and and good taste you will always be proud of your selection. And, it is wear proof—it will never need replacement.

Your beautiful ceramic walls will be stain proof, fade proof and flame proof. No other surface is as easy to keep sparkling clean.

A complete range of colors to meet every desire.

UNITED STATES CERAMIC TILE CO.
Canton, Ohio

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

PRIVATE ENTERPRISE

VS.

PUBLIC SUBSIDY!

If the government were to set up a business in your community—a filling station, drugstore, or restaurant, for instance—and sold merchandise at a loss which came out of local taxpayers' pockets, surely, anyone would say that this was unfair competition with local tradespeople. Yet, this is exactly the sort of competition the government has set up against privately owned transportation carriers, which include local cartage firms, motor carriers and rail express.

The government is not only in the freight business through the parcel-post system, *but is in a business losing millions of dollars every year.* From 1926-1955, reported 4th class mail (parcel post) losses have totalled more than 1.2 billion dollars. And this doesn't include the unreported losses assumed by other Government agencies for the parcel-post system, estimated at $43 million annually.

Who pays this bill? The taxpayer, of course! And he is paying for the privileged few who use parcel post for commercial shipping—completely counter to the original concept that parcel post pay its own way.

Anyone who values the principles of free enterprise, and wishes to know more about unfair government competition with private business, should send for a free copy of "The Truth About Parcel Post"... a story which will interest every thoughtful American taxpayer.

RAILWAY EXPRESS AGENCY

For a free copy of an informative booklet, "The Truth About Parcel Post," address The Public Relations Division

RAILWAY EXPRESS AGENCY, INC.

219 East 42nd Street, New York 17, N. Y.

A PRIVATE ENTERPRISE IN THE PUBLIC SERVICE

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

COAST FEDERAL SAVINGS

Offers Savings Investors

- MAXIMUM RETURN on your investment with SAFETY, through progressive, yet conservative management — plus insurance on each account.
- AVAILABILITY of funds when needed due to high liquidity position.
- LEGAL INVESTMENT for trust funds.
- PROMPTNESS in all transactions assured by use of Air Mail. (We pay postage both ways).
- RESOURCES over $225 million, RESERVES over $21 million.
- VARIETY of accounts, Individual, Joint, Trust and Corporation.

"LET'S GET ACQUAINTED" — Write today for this booklet and financial statement, to:

COAST FEDERAL SAVINGS, DEPARTMENT H,
9th AND HILL
LOS ANGELES 14, CALIF.

Member
Federal Home Loan Bank—Federal Savings and Loan Insurance Corp.

COAST FEDERAL SAVINGS
JOE CRAIL, PRESIDENT

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Mountains move over when steel digs in!

Billions of cubic yards of earth and stone must be moved to make way for modern buildings, highways, tunnels, railroads, airports, and dams. This takes an army of bulldozers, dump trucks, power shovels, drag lines, loaders, graders, and scrapers.

These products of the Earth Moving Equipment Industry prepare the way for nearly every type of construction. The newer models feature multiple attachments for single units, greater reaches, sturdier steel components, and improved power.

Only steels with unusual resistance to impact and abrasion are rugged enough to stand the punishment these machines must take. J&L steels meet the specifications of this progressive industry.

Jones & Laughlin
STEEL CORPORATION · PITTSBURGH

J&L STEEL

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

FROM A LIBERTARIAN'S LIBRARY

FREE TRADE is such a simple solution for so many of the world's ills. It doesn't require endless hours of debate in the United Nations, or the International Labor Organization, or the Food and Agriculture Organization, or any other world-wide debating society. It requires only that *one nation* see the light and remove *its* restrictions. The results will be immediate and widespread.

It isn't necessary for all nations to agree jointly and simultaneously to remove restrictions. If only one nation does it, some good is accomplished – both for itself and for its customers. A great nation, such as the United States, could do it and thus set an example for others to follow. It would not be meddling in the affairs of other nations; it would merely be looking after the best interests of its own citizens. And instead of being resentful, other nations would be eternally grateful.

A selection from The Tariff Idea *by* W. M. Curtiss. *The Foundation for Economic Education, Irvington-on-Hudson, N. Y. 80 pp. 50 cents.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED